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WORLD NEWS

British Steel cuts 900 jobs in S Wales

British Steel is to axe more than 900 jobs in the tinplate industry in South Wales. The Velindre works near Swansea will close in September and there will be job cuts at Trostre, near Llanelli, and at Ebbw Vale, in Gwent. It is British Steel's first move to rationalise production since privatisation in December. Page 22

Youth on murder charge
Martin Stevens, a 17-year-old labourer of Chesham, Bucks, was remanded in custody until Monday, charged with murdering a mother-of-two found beaten and stabbed in her Buckinghamshire home.

PC faces trial in Portugal
A British policeman is to go on trial in Port Imao, Portugal, charged with murdering his wife, who was found drowned in a whirlpool bath at an Algarve villa last March.

IRA 'bomb blunder'
The IRA was under increasing pressure to admit to what police describe as its latest bombing blunder in Northern Ireland, after a man unconnected with the security forces was seriously injured when a booby trap bomb exploded under his car in south Belfast.

Legion cases increase
The number of confirmed cases of Legionnaires' disease in the central London outbreak increased to 11. Suspected cases rose to 37.

Jamaica election result
Michael Manley will be sworn in as Prime Minister of Jamaica after his social democratic People's National Party appeared set to take 44 of the 60 seats in the House of Representatives. Page 3

Iran frees prisoners
The Iranian Government said a group of dissident prisoners were freed under an amnesty declared by Khomeini. However, the amnesty excluded 900 political prisoners accused of direct involvement in criminal acts.

Children's rights action
Turkey is poised to become the first European country to have a comprehensive policy to safeguard children's rights, a UN Children's Fund official said.

Troops clash in Beirut
Christian militiamen and Lebanese army troops fought with machine guns and rocket-propelled grenades in a crowded street in Christian east Beirut.

Spacecraft launched
An unmanned spacecraft carrying supplies to the Soviet space station was launched.

Hunger strikers moved
At least three detainees on hunger strike in Johannesburg prisons were moved to city hospitals. Eleven detainees are now believed to be in a critical condition. Page 2

Boat people repatriation
Vietnamese immigration officials began vetting about 90 boat people in Hong Kong, who have volunteered to return home. This is the first attempt to begin repatriation of the Vietnamese refugees in Hong Kong. Page 2

US bases discord
The US and Greece are unable to agree an accord on US bases and military aid, in spite of a week of talks. Further talks are being held in Washington next month.

Telephone hot line
A direct telephone line linking the Soviet leader Mikhail Gorbachev with West German Chancellor Helmut Kohl will be set up soon.

Egyptian discovery
Five black granite figures, at least 3,000 years old, were found in the Pharaonic ruins of Luxor. The discovery may be the greatest archaeological find this century.

BUSINESS SUMMARY

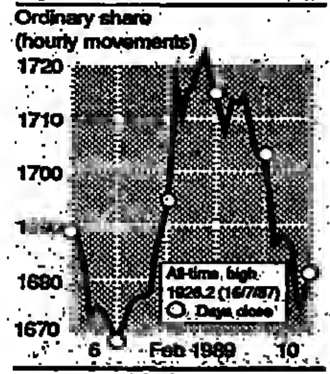
Tokyo acts to halt abuse of flotations

TOKYO STOCK Exchange is changing the rules on company flotations to try to stamp out abuses. The move follows the Recruit Cosmos scandal which toppled some of Japan's most senior politicians when it emerged that they had made large profits from the 1986 property company flotation.

To make the pricing of new issues more transparent, a compulsory auction system will be introduced from April for pricing companies which are going public. Page 22

FT ORDINARY share index dropped 22 yesterday to end at 1,680.9. Closing above its lowest, the index finished a switchback week only 8.1 points lower than at last Friday's close. Yesterday's shaky retreat followed President Bush's US Budget address and the Bank of England's call for caution on UK interest rates and fiscal policies. Page 15

FT Index
Ordinary share (hourly movements)



PERSONAL PENSIONS have proved a success since their UK introduction in July, with more than 1m sold. Page 22

AKER, diversified Norwegian group, is to move out of the real estate after losing NKr4m (£340,000) on the business last year. Page 10

EQUITICORP International receivers have put the New Zealand investment and merchant banking group's 58 per cent stake in New Zealand Steel up for sale. Page 10

SHORT BROTHERS, the state-owned Belfast aircraft maker, has sold another four airliners to New England carrier Business Express Enterprise in a $20m (£11.4m) deal. Page 5

BARCLAYS de Zoete Wedd and Phillips & Drew, UK securities houses, will from Monday quote for deals of more than 5,000 shares on Seaq, the Stock Exchange screen trading system. Page 4

ALPHAMERIC shares lost 30 per cent of their value after the UK information systems and computer products maker warned that low demand could wipe out this year's profits. Page 8

INTERNATIONAL Business Communications' offer to buy in up to 40 per cent of its shares at a fixed price has been oversubscribed. Some shareholders' applications to the UK newsletter publisher will be scaled down. Page 8

HAGEMEYER's controversial bid for Medicopharma, a small Dutch generic drug maker, collapsed when the Dutch trading group announced total failure to secure enough Medicopharma shares. Page 10

CH INDUSTRIALS, UK chemicals to engineering group, was released from a court order that had frozen its 6.3 per cent interest in Sussex-based engine designer Ricardo, target of a £21m hostile bid from the car sensors and safety group First Technology. Page 8

PACIFIC DUNLOP, Australian industrial group, increased interim net profits by 45 per cent to A$124.6m (£63.4m) and announced a one-for-10 scrip issue. Page 10

LINOTYPE, the West German printing electronics group, raised net profits by more than 25 per cent in its first year of independence from Allied-Signal of the US, topping DM50m (£15.3m) Page 10

Government outlines measures to stem anxiety over food

By Michael Cassell and Lisa Wood

THE GOVERNMENT moved quickly yesterday to stem mounting public anxiety about food safety by announcing a series of measures to tackle the problem.

Amid signs that the initiative was hastily arranged, Downing Street announced a government advisory committee to carry out an immediate inquiry into food hygiene and report back to ministers with minimum delay.

Ministers want to limit political damage caused by growing evidence of food contamination and hope the plan will demonstrate their determination overcome the issue.

Neither membership of the committee, which was discussed at Thursday's cabinet meeting, nor its terms of reference have been decided.

Sir Donald Acheson, the Government's chief medical officer, said the committee would enable "new brains to look at the problem in a systematic way" and said it would be "set up soon and will report soon."

The committee will be headed by an independent chairman, expected to be an eminent scientist, and is expected to include other scientists and experts.

In other moves confirming the Government's view that food safety has suddenly become a main political issue which it cannot afford to ignore, Sir Donald yesterday published new advice to the public about combatting listeria in food.

He revealed there were 51 deaths last year from listeriosis but stressed that the issue of food contamination had to be kept in its proper perspective. He is to write next week to all Britain's doctors with the new listeria guidelines.

Mr John MacGregor, Agriculture Minister, announced last night that all chickens infected with salmonella would be compulsorily slaughtered in further attempts to eliminate salmonella in eggs.

The ministry said compulsory monitoring of Britain's 39 million laying hens had been introduced and would indicate how many birds were infected. Compensation would be paid according to the value of the bird immediately before slaughter. The cost was not expected to be high.

Egg producers and the National Farmers' Union welcomed the announcement.

Mr Kenneth Clarke, Health Secretary, yesterday rejected Labour accusations that his department and the Ministry of Agriculture had attempted to prevent disclosure of evidence showing that the threat of salmonella in eggs was growing.

Officials had been cautious about issuing warnings because "they wanted to give sensible advice to vulnerable groups and not to cause unnecessary and silly alarm. They succeeded in doing that."

Mr Robin Cook, Labour's health spokesman, last night welcomed the decision to appoint the committee.

The creation of the committee follows discussions among ministers about the most effective format for the new forum. It was being denied yesterday that the Treasury had intervened to block the establishment of a totally independent committee because of concern

Continued on Page 22
Background, Page 4; Editorial Comment, Page 6

Dollar see-saws amid conflicting market signals

By Peter Norman and Anatole Kaletsky

THE DOLLAR see-sawed wildly yesterday, first dropping in the wake of President George Bush's budget address and later rising sharply after official US figures showed that producer prices rose much faster than expected last month.

In a day of bizarre trading conditions ending a week of considerable volatility on financial markets, expectations of higher US interest rates pushed US bond prices lower and supplanted disappointment with Mr Bush's budget plans as the dominant force behind the dollar's movements.

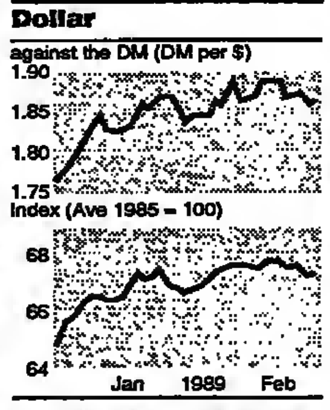
By late evening London time, a number of large US banks, including Citibank and Chemical Bank, had raised their prime lending rate, traditionally the rate charged to best customers, to 11 per cent from 10.5 per cent.

The increases, initiated by Continental Bank of Chicago and Republic National Bank of New York, gave the dollar an extra boost. Traders reasoned that the Federal Reserve Board will tighten monetary conditions further to control inflationary pressures.

After a brief bout of near-panic selling immediately after the producer price announcement, bond prices recovered by lunchtime, with the Treasury's old benchmark long bond showing a loss of only ¾ at 99¾ to yield 9.05 per cent.

On the stock market, the Dow Jones Industrial Average fell nearly 20 in the first 15 minutes of trading but then found strong buying support just above 2,300.

Dollar



As US bond prices tumbled, long-dated gilt edged securities closed only ¼ point down in London.

Currency trading focused on the dollar-D-Mark market. In London, the dollar closed slightly higher at DM1.8615 compared with DM1.859 but moved ahead in New York to be quoted at DM1.8695 by mid-session.

The pound was little changed against either the dollar or the D-Mark. The Bank of England's trade weighted sterling index finished at 97.8, down on the 98 opening but up on Thursday's 97.7 close.

The US currency's early fall

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Weekend FT

AGAINST THE BOMB
Pugwash is the name given to a group of scientists working to halt the spread of nuclear weapons. Elon Salmon looks at what they have achieved
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How To Spend It
Lucia van der Post picks some romantic gifts for Valentine's Day and unveils details of two exclusive FT safaris
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Survey
Last year, savings poured in to building societies. FT writers look at what they offer.
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Travel
Norway: beware of elk when you picnic in the pine forests
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Arts
Opera: The avant garde and the showbiz
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Sport
Teresa McLean looks at the impact of Australia's macho cricketer Merv Hughes
Page XXVI

Afghanistan faces tribal war as talks break down

By Christina Lamb in Rawalpindi

AFGHANISTAN WAS facing a collapse into tribal warfare last night after talks between Afghan resistance groups aimed at appointing an interim government collapsed in chaos and bitter recrimination after just 40 minutes.

The breakdown of the shura — religious consultative assembly — in Rawalpindi was greeted with dismay by foreign diplomats who feared the outcome would enhance the Soviet-backed President Najibullah's chances of clinging to power in Kabul.

It followed a dispute between Afghanistan's Pakistan-based Sunni resistance leaders and the Iran-based Shia leaders. Shia delegates refused to attend because they said the Sunnis had reneged on a deal about the allocation of seats.

Instead, they chartered a plane to fly back to Tehran but, following intense pressure from officers of Pakistani military intelligence to stay to try to work out a compromise, were still in Rawalpindi late yesterday.

In the hope of getting the meeting restarted, Pakistani intelligence officers, who stayed inside the shura to observe proceedings, prevented delegates from leaving the Haji complex in Rawalpindi.

Sunnis make up 75 to 80 per cent of the Afghan population. The shura opened with prayers and cheers of "Allah Akbar" — "God is great." It was addressed briefly by Mr Abdul Sayyaf, leader of one of the more fundamentalist resistance groups based in Pakistan, who had been nominated Speaker, and formally inaugurated by Mr Sibghatullah Mojadiddi, a moderate and chairman of the alliance of the seven resistance parties based in Pakistan. He declared another moderate leader, Mr Mohammadi Nabi, President of the shura.

Mr Nabi, however, announced the shura was postponed until further notice.

The seven Pakistan-based leaders went into an emergency meeting while baffled delegates said they had no idea when — or whether — the shura would meet again.

Around 400 of the 519 invited delegates had attended. No Shias were present. Neither were there any representatives of the Afghan Government. Very few Afghan resistance field commanders, now the real power in Afghanistan, were present.

The talks' collapse followed a trip to Tehran last week by Mr Mojadiddi in which he reached an agreement with Mr Karim Khalili, leader of the Iran-based alliance, under which the Shias were to have 100 seats in the shura, seven ministries in an interim government and, significantly, six seats on an expanded Supreme Council, the policy-making body which currently comprises only the seven Pakistan-based leaders.

The six other Pakistan-based leaders, however, rejected the deal, and two of them are insisting the Shias should have no representation at all in the shura, Afghan Government or council.

Last night General Hamid Gul, head of Pakistani military intelligence, pleaded with Mr Khalili to stay and negotiate new terms.

The Soviet Union yesterday continued the final phase of its military withdrawal from Afghanistan. Resistance groups tightened their hold around Kabul, the capital, and the eastern town of Jalalabad.

Unilever to pay $1.5bn for Fabergé interests

By David Waller

UNILEVER, the Anglo-Dutch consumer products group, has agreed to pay $1.55bn (£890m) for the personal products interests of Fabergé, a leading international manufacturer of cosmetics, toiletries and perfumes.

The acquisition gives Unilever a package of assets and brands which include Elizabeth Arden cosmetics, Chlöe and Fendi perfumes, Brut after-shave and Aqua Net hairspray. Fabergé's turnover in 1988-89 exceeded $800m, and its operating profits were more than $100m.

The deal was announced exactly a month after a leak forced Unilever to acknowledge that it was in talks with Mr Meshulam Riklis, the Wall Street financier who bought Fabergé in 1974 and Elizabeth Arden in 1987. The price is at the lower end of analysts' speculation at that time.

Mr Michael Angus, Unilever's chairman, said the purchase of Fabergé would propel the company into first or second position in the fast-growing personal products market, which is worth $38bn a year worldwide.

The Anglo-Dutch multinational's share of this will rise

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Background, Page 8; Lex, Page 22

Philosophy cuts 'must cease'

By David Thomas, Education Correspondent

CUTS IN philosophy teaching at British universities have been too severe, placing in jeopardy Britain's distinguished record in a field of study forming an essential element of a civilised society, an official report has concluded.

The report is the outcome of a year-long review of British philosophy by the University Grants Committee, which is responsible for channelling government money to the universities. It was posted to university vice chancellors yesterday.

The fate of British philosophy in the 1980s has been widely cited as evidence that the Government has squeezed the universities too severely and has been too concerned with boosting subjects of a narrowly vocational kind.

The UGC review found that the number of philosophy lecturers will have fallen by a quarter over the 1980s to 357 if current staffing plans are carried through, a level of reduction which it terms "damaging."

In consequence, only 3.5 per cent of professional philosophers are aged less than 30.

It warns that unless this trend is reversed, British universities could lose their distinguished reputation in the discipline established this century by philosophers such as Bertrand Russell and Ludwig Wittgenstein.

Pointing to buoyant demand by students for philosophy courses, the report contains a ringing defence of philosophy for teaching skills of rational thought useful in many non-academic jobs.

However it also affirms "the value of philosophical thought in its own right as an element in civilised life."

In marked contrast to current trends in the universities, the report calls for extra full-time teaching staff to be appointed or the scrapping of planned cuts in philosophy departments in 14 universities: Aberdeen, Bristol, Cardiff, Dundee, Durham, East Anglia, Edinburgh, Hull, Lancaster, Leeds, Manchester, Reading, St Andrews and Stirling.

It also calls for chairs of philosophy to be filled or created at Cardiff, Glasgow, Hull, Keele, Ulster and York. Two small departments, Bath and Strathclyde, are recommended for closure, with their staff transferring to other universities.

In a covering letter, Sir Peter Swinnerton-Dyer, UGC chairman, asks vice chancellors to report by July action taken to implement the report's recommendations.

Lesson sixth forms must heed, Page 5

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime:	New York lunchtime	FT-SE 100:
$1.747	DM1.8705	2,056.1 (−23)
London:	FFr6.3615	FT Ordinary:
$1.754 (1.755)	SFr1.5905	1,680.9 (−22)
DM3.265 (3.2625)	Y128.775	FT-A All Share:
FFr11.1125 (11.105)	London:	1,065.13 (−1%)
SFr2.775 (2.77)	DM1.8615 (1.859)	FT-A long gilt yield index high coupon:
Y225.25 (225.5)	FFr6.335 (6.3275)	9.07 (9.05)
£ index 97.8 (97.7)	SFr1.582 (1.579)	New York lunchtime
GOLD	Y128.35 (128.5)	DJ Ind. Av.
New York: Comex Apr	$ index 67.3 (67.2)	2,303.75 (−19.29)
$391.7 (398)	Tokyo close: Y127.85	Tokyo: Nikkei
London:	US LUNCHTIME RATES	32,131.99 (+53.58)
$390.25 (394.25)	Fed Funds 9 1/16%	LONDON MONEY
N SEA OIL (Argus)	3-mo Treasury Bills: yield: 8.828%	3-month interbank:
Brent 15-day Mar	Long Bond: 98¼ yield: 9.039%	closing 13% (12 13/16)
$15.75		

Chief price changes yesterday: Page 22

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Austria Sch22; Bahrain Din0.650; Bermuda $1.50; Belgium BFr48; Canada C$1.00; Cyprus C£0.90; Denmark DKr10.00; Egypt E£2.25; Finland Fmk7.00; France FFr7.00; Germany DM2.30; Greece Dr120; Hong Kong HK$12; Iceland IKR125; India Rup15; Indonesia Rp3,100; Ireland I£0.60; Israel NIS3.50; Italy L1700; Japan Y800; Jordan Fils.500; Kuwait Fils.500; Lebanon $L125; Luxembourg LFr48; Malaysia Rin4.25; Malta 30c; Mexico Pes300; Morocco Dh6.00; Netherlands Fl3.00; Norway Nkr10.00; Portugal Esc120; S.Arabia Rls7.00; Singapore S$4.10; Spain Pta145; Sri Lanka Rup30; Sweden SKr8.00; Switzerland SFr2.30; Taiwan NT$65; Thailand Bht50; Tunisia Din0.800; Turkey L600; UAE Dh6.50; USA $1.00.

EC, Japan close to deal on minimum chip prices

By Stefan Wagstyl in Tokyo

THE Japanese semiconductor industry and the European Community are close to reaching agreement on a pact to set minimum prices on exports of Japanese memory chips to Europe.

The agreement would settle a long-running EC anti-dumping action against the chip makers. Coming in the wake of the 1986 US-Japan Semiconductor Agreement, the new pact would signal an increasing willingness among governments to manage trade in chips to avoid international friction.

However, the proposed agreement would be less wide-ranging than the controversial US-Japan pact in that it would make no reference to the pricing of Japanese semiconductors sold in third countries, which was a key element of the 1986 pact.

Nor would it refer to increasing access to the Japanese market for European companies, as the 1986 pact did with regard to US manufacturers. The EC Commission condemned the US-Japan agreement as "mercantilist" and complained to the General Agreement on Tariffs and Trade, saying it infringed Gatt rules because the Japanese side was responsible for monitoring export prices.

Last May Gatt upheld the complaint, but Japan has so far felt unable to react because there is strong American opposition to revising the agreement.

The EC sees its proposed pact as being different. It said in Tokyo that while the proposed deal was "technically" a bilateral agreement it was "nothing like the US-Japan agreement" in its scope. The proposed deal would set floor prices for the most-advanced mass-produced memory chips – 256k and 1 megabit Dynamic Random Access Memory (DRAM) devices.

According to Toshiba, a leading chip maker, floor prices would be based on fair market values agreed between the US Administration and Japanese companies under the 1986 pact.

However, unlike the 1986 pact, which set different fair prices for different companies, the European floor prices would be the same for all manufacturers. The agreement would not have any immediate impact on the market since chip prices are comfortably above the levels of 1986, when the industry was in recession. Nevertheless, the semiconductor market is highly cyclical and prices have been falling rapidly since peaking last summer.

Toshiba said the agreement was being negotiated on the Japanese side by individual companies co-ordinated by the Ministry for International Trade and Industry. Miti confirmed the negotiations were taking place. Other manufacturers declined to comment.

Toshiba said negotiations on the proposed agreement started last summer after a long EC investigation. A suit into the alleged dumping of erasable/programmable read-only memory (EPROM) devices was filed in December 1986 and a second into DRAM pricing followed in March 1987.

Since the suits were filed Japanese chip makers have been stepping up investment in chip fabrication in Europe for fear that the EC's external trade policies might become more restrictive after the creation of the internal free market in 1992. Fujitsu is expected to announce a $100m plant in north-east England soon.

Commission asks EC for dumping duties against Ricoh

By David Buchan in Brussels

THE European Commission yesterday appealed to the EC Council of Ministers to end months of deadlock on new rules of origin for photocopiers, and to take a decision that would in effect extend dumping duties on copiers exported by Ricoh of Japan to the EC.

The Commission's draft regulation, now sent to the Council for approval, says assembly or manufacture of simple copier parts in the Community would not qualify the completed copier as a European product and thereby able to escape trade restrictions.

Such a rule would have a general impact on the Ecus 1bn (£640m) a year European copier market, of which Japanese companies hold 80 per cent, but it stems in particular from the EC's 1985 dumping investigation of Ricoh, which led to a 20 per cent EC duty being placed on Ricoh copiers shipped direct from Japan.

Ricoh is accused by the Commission of getting around this levy by stepping up shipments to the EC of copiers assembled in California. Ricoh's lawyers yesterday noted the company had been producing in California before the EC dumping action and was shipping more machines from Europe to the US than vice versa.

Application of the Commission's rule would classify the US-assembled Ricoh copiers as Japanese, not US, and make them as liable to the EC duty as those assembled in Japan. Virtually all EC governments, bar the Netherlands, agree with the Commission that the California copiers are really Japanese in origin, but several of them, including the UK and West Germany, dislike the Commission's negative definition of origin rules for copiers and their customs experts blocked the Commission rule.

The Commission is now appealing to governments at a higher political level than before, and under a special procedure that will allow the Commission plan to go through automatically, unless within three months the Council acts one way or another.

Pretoria denies invasion

South Africa has denied a claim that its troops invaded Angola this week in violation of the regional peace agreement, AP reports from Pretoria.

Angola's Defence Ministry, in a statement reported by the Angolan news agency Angop on Thursday, said South African troops penetrated 25 miles into southern Angola on Wednesday in support of the Unita rebel movement.

It said there was a clash in which the South Africans used long-range artillery, but it said nothing of casualties.

Pretoria said its forces were strictly observing the peace agreement signed in December.

Gulf insurance

War risk cargo insurance premiums for vessels trading in the Gulf have been scrapped, the War Risk Rating Committee, a group of London underwriters including Lloyd's of London, said yesterday, Reuter reports.

The decision, which takes immediate effect, means vessels entering the Gulf for destinations in Iran, Iraq and the United Arab Emirates will only be charged the universal war risk cargo rate – payable on all cargoes traded throughout the world – of 0.0275 per cent.

KAL, Moscow talks

Korean Air Lines is negotiating with Soviet flag carrier Aeroflot to open a Seoul-Moscow route, the transport ministry said yesterday, Reuter reports from Seoul.

Takeshita promises political reform

By Stefan Wagstyl in Tokyo

MR Noboru Takeshita, the Japanese Prime Minister, yesterday pledged to put political reform at the top of his agenda in a speech marking the return to business of the Diet (Parliament) after a New Year break.

Public distrust of politics had increased as a result of the Recruit scandal, he said, so it was important for politicians to draw a clear line between political and personal matters.

Mr Takeshita's willingness to match words with action will be tested by the opposition parties, which see the Diet's re-opening as a new opportunity to attack the government over the Recruit affair.

Since the Diet adjourned in December, two Cabinet ministers have quit over financial links with Recruit. Both joined the Cabinet only in a reshuffle after the Diet adjourned.

As evidence continues to emerge from a public prosecutor's investigation, opposition parties hope to gain fresh information about possible involvement of leading politicians in the scandal, including Mr Takeshita and Mr Yasuhiro Nakasone, the former Prime Minister. While some opposition politicians have also been implicated, most of those involved come from the ruling Liberal Democratic Party.

Prosecutors are investigating why politicians and others received shares on preferential terms in Recruit Cosmos, shortly before Recruit Cosmos was floated in 1986 by its parent, Recruit, a business information group.

Cry of cover-up as probe ended into Greek banker

By Andriana Ierodiaconou in Athens

GREEK opposition parties yesterday described as an attempted cover-up a decision by the ruling Socialists to terminate a parliamentary investigation into the scandal involving former banker and press baron Mr George Koskotas.

Mr Koskotas, who had close relations with the Government, fled to the US after being charged with fraud in Greece last October.

He is in jail in Salem, Messecbnsetts, awaiting extradition proceedings, and has indicated through his attorney in Athens that he would be willing to submit to questioning by Greek parliamentarians investigating the scandal.

However the Socialist majority on the parliamentary fact-finding committee set up to look into the affair this week vetoed for the second time an opposition proposal to send a delegation to the US to interview Mr Koskotas.

At the same time they ruled the task of the committee completed. The opposition is demanding the examination of more witnesses.

Prof Bronislaw Geremek leads Solidarity's negotiators to the first talks yesterday

Solidarity calls for reforms

By Christopher Bobinski in Warsaw

SOLIDARITY yesterday called for a start to be made on political reforms which could ultimately lead to the establishment of a "free and democratic" system in Poland.

The call came at the opening of talks with the Polish authorities. But Mr Bronislaw Geremek, the head of the Solidarity group at the meeting, which forms part of the round-table process aimed at returning the banned union to public life, made clear that change would have to be gradual.

Solidarity, for example, tacitly agrees that forthcoming national elections to Parliament will have to ensure that, as Mr Janusz Reykowski, a Politburo member, said yesterday, "the constitutional features of the socialist state" be retained.

This implies that the Communist Party and its allies should retain ultimate control over the political system.

In effect the authorities are offering Solidarity and its allies 30 per cent of the seats in Parliament in elections planned for May or June. For the moment, Mr Geremek told the meeting that Solidarity wants changes to ensure an independent judiciary and access for the opposition to the official mass media.

Mr Reykowski, who leads the official team, declared at the outset that the authorities too were aiming at gradual change from a "monocentric" system to a free "civil society" and readily conceded that local government elections should indeed be free.

However, he added, a greater role for the opposition in Parliament and throughout the political system should be balanced by the establishment of a presidency with wide powers, thus providing "additional guarantees" for the authorities. The implication is that the president would be a member of the Communist Party.

● Agencies add: Mr Lech Walesa made repeated calls on Friday for a six-week strike moratorium in Poland, warning of a plot to stir up labour unrest and undermine Solidarity's talks with the Government.

At separate meetings with workers and with students in Krakow, he said Poles had every reason to strike but they had to give the talks on Poland's future a chance of success.

The official news agency PAP reported that three strikes broke out yesterday among bus drivers and steelworkers in different parts of Poland. The strikes did not appear to be organised by Solidarity.

Las Palmas warned on tariffs

By Peter Bruce in Madrid

THE SPANISH Government yesterday threatened legal action against the Canary Islands unless the provincial government there agrees to lower import tariffs in line with the rest of the European Community within a month.

The affair is embarrassing Madrid in its first six-month term in the EC presidency. The Canaries are only partly integrated into the Community – they are not members of the Common Agricultural Policy – and the autonomous government on the islands says lower tariffs are making it difficult to finance local public spending.

Late last year the Socialist administration on the islands fell to a conservative coalition led by Mr Lorenzo Olarte, a member of the Centro Democratico y Social (CDS) party of former Spanish Prime Minister Adolfo Suarez. Mr Suarez has frequently threatened to renegotiate the terms of Spain's entry into the EC in 1986.

Mr Olarte has refused to comply with an EC-wide reduction in import duties of 15 per cent from the beginning of the year. The move would have brought Canaries tariffs to 47.5 per cent of their value before 1986. The local government in Las Palmas says the islands depend on the duties for 60 per cent of their revenue and with town hall debt in the Canaries now standing at Pta 11bn (£54.5m), is insisting on compensation before cutting tariffs further.

Stung by its loss of office in the Canaries, the Socialist Government in Madrid is anxious not to antagonise the islanders. Although the Prime Minister, Mr Felipe González, recently refused to discuss the issue with Mr Olarte in Madrid, the Finance Ministry is due to offer the islands a new tax structure soon to help compensate for loss of earnings. This proposal will probably include the introduction of VAT.

HK ahead in container traffic

By John Elliott in Hong Kong

HONG KONG last year confirmed its position as the world's busiest container port when it achieved a throughput of just over 4m 20ft equivalent units (TEUs) – ahead of its rivals at Singapore, Rotterdam, and Taiwan's Kaohsiung.

The total throughput rose by 16.7 per cent from 3.46m TEUs to 4.03m. This compared with a provisional total of 3.4m for Singapore, which took the second place from Rotterdam for the first time. Rotterdam achieved 3.2m and Kaohsiung 3.08m, according to statistics released by Mr Derick Hall, Hong Kong's marine director.

Hong Kong's growth in 1987 was 25 per cent and the average for the past five years was 14 per cent. This trend was expected to continue.

But Mr Hall admitted that Singapore's growth last year of 29 per cent was causing some concern because it had taken business from Hong Kong, which is working to full capacity. However, the rapid expansion at Hong Kong, Singapore and Kaohsiung underlined the importance of the region as the new centre of the world's container traffic.

The sixth terminal at the Hong Kong's main Kwai Chung container area is to become fully operational in May. Mr Hall said it was hoped that terminal number seven might be constructed by 1991, two years ahead of schedule. That would raise Kwai Chung's capacity from its existing 3m TEUs a year to 5m.

A decision on the construction of terminal nine and a possible new port would be taken later this year.

Vietnam ready to take refugees back

By John Elliott

FOUR Vietnamese immigration officials arrived in Hong Kong last night to vet between 85 and 90 refugees who have volunteered to be repatriated to their homes.

This is the first attempt to start repatriation of 25,000 boat people now in Hong Kong. It follows an agreement signed in Geneva in December between the Hanoi Government and the UN High Commissioner for Refugees, which is sponsoring the visit.

The commissioner's staff will travel with the boat people back to Vietnam, probably early next month. The reception the refugees receive from the officials and in Hanoi is regarded by Hong Kong as an important test because it will influence other volunteers.

The 85 to 90 are among 200 who have volunteered to return. They are part of a total of 10,000 who are liable to be classified as illegal immigrants because they have arrived in the colony since last June, when Hong Kong said new arrivals might no longer be classified as refugees.

The UK has said it would accept 1,000 more boat people if other recipient countries also increased quotas. So far the response has been poor.

Johannesburg jail hunger strikers moved to hospital

By Akwe Amosu

AT LEAST three detainees on hunger strike in Johannesburg prisons were moved to hospitals in the city yesterday, bringing to at least 11 the number in critical condition, according to human rights organisations.

Sources in Johannesburg warned that two of the men on the 19-day strike were seriously ill. One report, in the New Nation newspaper said 15 detainees were now in hospital.

Among the 11 in the Johannesburg Hillbrow Hospital, for black patients, and in Johannesburg General, usually for whites, two – Mr Mark Modiba and Mr Cecil Mawela – have been reported as facing pre-renal failure. Several of those in hospital are being drip-fed intravenously.

Anglican Archbishop Desmond Tutu and Rev Allen Boesak, both prominent campaigners against the state of emergency, said yesterday they were considering joining the strike. On Thursday, 40 civil rights lawyers began a two-day fast in solidarity with the hunger striker's demands.

Mr Modiba, general secretary of the Alexandra Students Congress, has been in detention for 18 months, and Mr Cecil Mawela, 17, a member of the Soweto Students Congress, was detained in March 1988. Another, Mr Lucky Motale, was reportedly being monitored for heart problems.

So far, about 300 out of 1,000 detainees held without charge since as early as 1986 have gone on hunger strike to press demands that they should be freed or charged and tried.

The strike began on January 23 in Diepkloof prison near Johannesburg, and has since spread to Port Elizabeth and other cities. The prisoners intend to highlight the plight of those detained without charge, some of who have been held for over two years.

About 30,000 people have been detained without charge for varying periods since the state of emergency was declared in June 1986. Under emergency regulations detainees can be held indefinitely without charge.

The strike appears to have been well planned and co-ordinated, with a steadily growing number of detainees joining each week. Supporters, well-briefed on the prisoners' intentions, have issued statements on their demands.

Mr Adriaan Vlok, the Law and Order Minister, maintained on Thursday that the Government had good reason to hold the detainees and said they could not be tried because it was difficult to find witnesses to testify against them.

Amnesty International yesterday telexed the acting state president, Mr Chris Heunis, and both the law and order and justice ministers, calling for the immediate release of all detainees who had not advocated violence, and for an urgent review of the cases of all emergency detainees.

Yesterday in London the anti-apartheid organisation, South Africa, The Imprisoned Society (Satis), which campaigns in support of detainees, said its chairman, Mr Geoffrey Bindman, had written to Mrs Lynda Chalker, Minister of State, calling on her to demand the unconditional release of political detainees.

Mrs Chalker told the House of Commons this week, in answer to a question on the fate of Mr Nelson Mandela, the black nationalist leader jailed for treason in 1963, that "a great deal would be achieved by the unconditional release of all political detainees."

Vatican condemns racism in S Africa

By John Wyles in Rome

SOUTH AFRICAN apartheid yesterday was condemned by the Vatican as "the most marked and systematic form of racism in the world" in a key policy document calling for fresh efforts to eradicate all forms of discrimination, including anti-Semitism.

But the statement, "The Church and Racism: Towards a More Fraternal Society", drew back from explicitly endorsing international sanctions to force changes in South African policies. It said that "the application of legislative, disciplinary and administrative measures, or even appropriate external pressure, can be timely," but it counselled against "going so far as to replace violently one unjust situation with another injustice."

The 45-page document was written, at the request of Pope John Paul II, by the Vatican's Peace and Justice Commission. Its president, French Cardinal Roger Etchegaray, a well-known Vatican progressive, said yesterday that apartheid represented "an extreme case" of racism which needed "urgent change". But all forms of discrimination "are the colour of racism", said the Cardinal.

The Vatican document is unusual in its readiness to mention not only South Africa but also other countries by name. Thus, it observes that "much still needs to be done" in the US while also recording that throughout history church leaders have not been blameless for racist attitudes.

The document refers to anti-Semitism as "the most tragic form that racist ideology has assumed in our century" and complains that "certain organisations, with branches in many countries, keep alive the anti-Semite racist myth, with the support of networks of racist publications."

The statement targets one of the church's more recent preoccupations, genetic engineering, as possibly leading to "new and yet unknown forms of racism" and called for laws to outlaw the use of genetic manipulation for racist ends.

Acid rain on agenda for Bush's visit to Canada

PRESIDENT George Bush arrived in Canada last night on his first post-inauguration trip abroad, hoping to cement generally warm relations with America's northern neighbour, AP reports.

On the eve of talks in Ottawa with the Prime Minister, Mr Brian Mulroney, Mr Bush urged Congress to establish an acid rain programme that would curb sulphur dioxide and nitrogen oxide emissions.

Mr Bush also said his Administration would honour its commitment to Canada to spend US$2.5bn (£1.4bn) over five years to develop technologies for cleaner coal production. The president proposed spending $120m in fiscal 1990 to curb acid rain, roughly $25m more than that proposed by the Administration of former President Ronald Reagan.

Mr Mulroney, in the early months of his second term as the Progressive Conservative Party head of government, has called Mr Bush a "great friend of Canada".

Mr Mulroney has said he expects a good relationship with Washington to produce an agreement on acid rain – an issue that has caused lingering strains.

Canadian officials have said they hope to make headway on winning US commitment to precise timetables for reducing industrial emissions wafting into Canada from the US.

In his proposed changes to the fiscal 1990 budget, Mr Bush indicated he would seek specific dates for reductions of certain emissions, although the timetable was not spelled out.

An auspicious night for bathing in Hinduism's sacred waters

David Housego visits the Kumbh Mela in Allahabad, probably the biggest gathering of pilgrims in the world

SOME say it washes away sins. Others believe that it will save them from the painful cycle of birth and re-birth.

On Monday, 15m of the Hindn faithful led by their saddhns and gurus (saints and spiritual leaders), took a ritual bath at the sacred point where the Ganges, Yamuna and mythical Saraswati rivers meet – thus proclaiming by their numbers that Hinduism is alive and prospering and that the peak day of the Kumbh Mela festival probably marks the largest gathering of pilgrims anywhere in the world.

For villagers who had travelled long distances on foot, carrying their belongings in knotted bundles on their heads, it was like a medieval European fair, an opportunity to mix with crowds, gain spiritual relief and buy trinkets and toys.

For India's minority Moslem community, the month-long festival, the most important in the Hindu calendar, carried a different message. In the sidelines of the mela, the extremist Hindu organisation, the Vishwa Hindu Parishad, organised a conference that called for Allahabad to be given back its former Hindu name, Prayag, and for the return of allegedly Hindn shrines to Hindus.

Swami Jayendra Saraswati, one of the leading Hindu teachers, warned that the Moslems' higher birth rate meant Hindus could find themselves a minority in their own country. In a country with a population of over 800m, he urged Hindus to abandon family planning.

Pandits had declared that Monday, February 6, was the most auspicious day for taking a dip at the Kumbh Mela for over 100 years. As dawn broke, four naga saddhns (naked saints), riding on horseback, their faces and bodies smeared in white ash, led the procession to the Sangam ghat (bathing place).

At that point, the muddy waters of the Ganges join with the clear waters of the Yamuna and the Saraswati, a river which may once have existed but is now certainly invisible.

Behind the naked saddhus came revered gurus in saffron robes carried in ornamental chariots. Close disciples, running the final stretch to the waters' edge, followed behind their masters. Since midnight millions had already taken their ritual dip, immersing themselves in the water, then splashing their heads and bodies with a look of beatific joy.

Dr P P Ganda from Jaipur, his clothes still wet, said: "I am peaceful, I am stable now. I feel free of the different ups and downs of life that make us irritable and restless."

The Kumbh Mela is held every three years, though the most important festival occurs every 12 years at Allahabad. An unusual planetary configuration of the sun, moon and Jupiter, together with the Monday of Kumbh coinciding with a moonless night, meant that the 24 hours beginning at 3.47 pm on Sunday were particularly auspicious for bathing.

The origins of the festival go back to the myths that recount a tussle between gods and demons for riches that lay at the bottom of the ocean. Among these was a kumbh (earthenware pot) containing a nectar that gave eternal life. Drops of it spilled at four places on earth, including Allahabad.

Hindus believe that bathing on such an occasion and in such a place helps reunite their souls with the Supreme Being, thus avoiding the agonies of reincarnation.

The Kumbh Mela was initially a gathering of saints from all over India who came together to exchange ideas and to allow people to hear them expound their thought. This tradition still holds: the main Hindu teachers and monastic orders (acharyas) all attend. After bathing, crowds move from one preacher to another – they are now equipped with loudspeakers – or stand and gaze at the mendicant saddhus.

But the pride of place at the mela goes to the acharyas who have the privilege of leading processions down to the water and of bathing alone. Founded to defend Hinduism against the inroads of other faiths, including Islam, they still preserve something of their military character. Saffron flags flutter above encampments protected by arched gateways decorated by flashing, coloured lights. The naked saddhus who lead their processions are a symbol of both renunciation and of sacrifice to the faith.

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US BUDGET

ANALYSIS

Crafting next year's cuts from this year's overshoot

A third of 'savings' is achieved by inflating current spending, not trimming future expenditure, writes Anthony Harris

THE American verb for drawing up budgets or bills is a telling one: they are not drafted, they are crafted. President George Bush's budget proposals, a modification of those offered by former President Ronald Reagan a month ago, show every sign of the most careful craftsmanship.

The important proposals for reforming the Byzantine budget process, by contrast, appear deliberately rough-hewn - a challenge rather than a bargaining move, but the market credibility of the budget rests on the numbers rather than on proposed amendments to the constitution. It cannot be rated very highly.

There are proposals to commit money to every one of the President's 25 popular campaign promises – education, environment, child care, drugs, and all the rest; but by a combination of tax concessions, the use of seed money, and programmes which start on a modest scale and build later, the first-year impact is to add less than 1 per cent to outlays, a matter of about $10bn.

Half is found by freezing the military budget, which Mr Reagan had proposed to increase by 2 per cent in real terms, and by assuming that a cut in capital gains tax to 15 per cent (which may be rejected by Congress) will produce higher revenue by encouraging share trading. This claim is contested by Congressional economists.

Much more significant is the latest estimate for the deficit in the current year, ending in October, at $170bn. This is a full 25 per cent above the Gramm-Rudman-Hollings (G-R-H) target supposedly achieved by the budget agreed last summer, nearly 10 per cent higher than in fiscal 1988 (and thus up more than 3 per cent as a proportion on GNP), and indeed 5 per cent above the level projected in the Reagan budget only a week ago.

This points not only to a deep weakness in the G-R-H procedure (which international investors seem to have overlooked), and to a bit of sleight-of-hand. The weakness is that G-R-H does not control the deficit, but only the *estimated* deficit; its effectiveness therefore depends crucially on good official projections. This has become more marked since the supposed G-R-H "fix" two years ago, which left the Administration as the sole arbiter of the projections; this used to be shared with the Congressional Budget Office, which has been less given to wishful thinking. The CBO has already estimated that the deficit on the Reagan proposals would be $120bn, rather than the $92.5bn claimed.

Since there is no process of automatic cuts during the fiscal year, if it then appears that the target is being missed, there is a strong temptation to speed up any emergency spending to avoid a difficult budget negotiation for the following year. Mr Bush seems to be subject to this temptation; the rise in the estimate in the last month is mainly the result of front-end loading the proposed rescue of the savings and loans, with little left to spend in 1989.

This casts an odd light on Mr Bush's claim that his proposals will cut the deficit by nearly 70 per cent: about a third of the "cut" arises from inflating expenditure this year rather than cutting it next. Indeed, there are no details of any expenditure cuts at all; they seem to result either from carrying forward the highly contentious Reagan hit list without reprinting it, or simply from assuming that a flexible freeze is achieved.

The revised economic projections are themselves especially crafty. They are presented as a gain in realism: the interest rate assumption is raised in the light of recent experience, and the growth projection takes credit for only half the overshoot in fourth quarter gross national product growth above the forecast.

"This adjustment is intended to err on the side of caution," says the official text, "because the difference between the projected and actual level is large, and subsequent revisions are frequently large also."

This is a small masterpiece of euphemism. What has been done is to add half the fourth-quarter overshoot to every subsequent quarter for four years. The fulcrum on which this leverage is based is as insubstantial as a wish: to quote the official Commerce Department announcement of its own preliminary estimate,

"Based on past experience, it is likely that the fourth-quarter change in real GNP, now estimated at 2.0 per cent at an annual rate, will not be revised below 0.8 or above 4.8 per cent."

The operation with interest rates is different: while recent experience of higher growth is used to justify raising the entire growth chart, current high interest rates adjust only the left-hand end of the line; they are still assumed to fall later to Reagan levels. The result of this careful inconsistency is that the more "realistic" economic projections have virtually no effect on the forecast deficit.

It is worth stressing that while the adjustment methods are open to question, there is no reason at present to suppose that the growth assumptions are over-optimistic. The last Administration had quite a good record in this respect although it was constantly accused of wishful thinking. It is the interest rate projections which are likely to prove wrong, as they have in the past: as Mr Alan Greenspan, the Fed chairman, told Congress last week, the odds are heavily against strong growth combined with falling interest rates.

What is more, industry is now expecting inflation to rise, though not dramatically, led by raw materials prices. This was the main topic of conversation at a meeting of industrialists and economists in Washington last week. This will raise some extra revenue through fiscal drag in an un-indexed tax system, but makes it even less probable that interest rates will fall for some time. The market's reaction to these proposals may make it even less likely.

DEFENCE

Qualified nod in direction of change

By Lionel Barber

PRESIDENT George Bush's proposal for a one-year freeze on the real growth of the defence budget had been heavily flagged in advance, but it still represents an important break with the Administration of former President Ronald Reagan.

Mr Bush has dropped Mr Reagan's proposal for a 2 per cent real increase in defence in favour of increased social spending. His offer to the Democratic majority in Congress is, however, conditional: the savings from defence must be spent on fighting drugs and depend on a final budget agreement which hits Gramm-Rudman-Hollings targets, all without a tax increase.

The contrast with 1981 is striking. Mr Caspar Weinberger, the incoming US Defence Secretary, preserved former President Jimmy Carter's planned military build-up and then put a whopping increase on top. This created a $2,000bn (£1,140bn) re-armament programme which even conservative Republicans now admit was plagued by waste and fraud.

The Bush budget concedes the need for change, but it does not prescribe solutions. It assumes an increase of $9.1bn in budget authority over fiscal 1989 to $299.3bn, and a mere $1.4bn increase in outlays. The detail – what weapons are needed, how to improve defence management – will appear in two reports to the President by the new Secretary of Defence within 90 days.

One problem, of course, is that Mr John Tower, President Bush's controversial choice to run the Pentagon, has still not been confirmed by the Senate and he may yet have to withdraw his nomination. So far, the Pentagon's case is going by default.

In the past four years, the military have countered the slowing rate of defence spending by playing the "stretch-out game". By ordering delays or cuts in procurement and production, they have still managed to protect present and future expensive weapons programmes.

Until priorities are set and agreed with Congress, the only conclusion that the public and the defence industry can draw from Mr Bush's budget plan is that lean times are ahead.

SOCIAL SPENDING

First glimmer of a kinder, gentler US

By Nancy Dunne in Washington

AFTER eight years of Reagan budgets proposing deep cuts in social spending, President Bush's effort, by comparison, seemed to set a humane and realistic course.

The Democrats are already complaining that the recommendations are more symbolic than substantive, and Mr Bush himself acknowledged in his address to Congress that "there are many areas we would all like to spend more."

Americans have grown so accustomed to designs for frugality in social spending that the dozen new programmes and initiatives the President suggested – for education, the war on drugs, health care, the environment, and homelessness – seemed almost munificent.

Most strikingly, the President reversed Mr Reagan's recent proposed cuts in Medicaid, the health care programme for the poor, adding $3.3bn in new spending in fiscal year and even called for an expansion of the programme for low income pregnant women and their children. He asked for an increase of $813m for Aids research, testing, and education.

President Bush before his first address to Congress. Behind are Vice President Dan Quayle and House Speaker Jim Wright

For the homeless, whom Mr Reagan liked to imply live on the streets by choice, the new president requested a 70 per cent increase to $746m for emergency food and shelter and permanent housing, plus a $50m initiative for homeless assistance provided through private-public groups.

On the education front, the President suggested six modest new schemes and a $768m increase of outlays in the next fiscal year. One programma would give $250m in bonuses in fiscal 1990 to schools whose students demonstrate substantial progress. Another provides public recognition and cash awards to superior teachers.

Not only did the president, in his address, ask for an end to racial discrimination, but he followed up his rhetoric with a proposed $80m fund, over the next four years, for the financially-strapped black colleges.

The President asked for harsher criminal penalties for drug offenders but only $300m more for new prisons other Justice Department programmes. He requested $1bn in new outlays for drug education, treatment and enforcement schemes.

City schools with the worst drug problems would get a $25m, and other communities could get grants from a $35m scheme for drug prevention activities. Still other funds would go for treatment programmes for poor youth and expectant mothers.

Ending the long debate on what causes acid rain, the President agreed to honour the US commitment to Canada to allocate $2.5bn over the next five years to develop clean coal technology, with $70m authorised for the programme next year.

In one area the president did agree with Mr Reagan. Pronouncing the farm economy on the mend, he proposed cuts of more than $5bn in the farm programme for fiscal 1990. He let his predecessor proposal for cuts in health care for the elderly stand. That will run into difficulty in Congress along with a proposed $1,000 child care tax credit, which will be seen as insufficient.

PRESIDENT BUSH'S 1990 BUDGET AT A GLANCE

THE MAIN POINTS

These are the highlights of President Bush's proposed budget for financial year 1990, which begins October 1, 1989 and ends September 30, 1990:

DEFICIT: The deficit would be $94.8bn and spending $1,160bn. Former President Reagan's budget deficit was $92.5bn and included spending of $1,150bn. Mr Bush projected that revenues would rise $81.5bn because of economic growth.

TAXES: Mr Bush proposed no tax increases and recommended a cut in the tax on capital gains to 15 per cent from 28 per cent. He also proposed incentives for exploratory oil and gas drilling.

DEFENCE: The military budget would be effectively frozen, rising no more than inflation for one year, compared to a 2 per cent real increase under Mr Reagan. Spending would rise 1 per cent after inflation in 1991-92 and 2 per cent in 1993.

INTEREST: Interest payments on the national debt total $173.3bn.

HEALTH: Mr Bush proposed to increase Medicaid (health care for the poor) by $3.3bn over fiscal 1989 and is seeking nearly $1bn for drug education and treatment.

ENVIRONMENT: $1.1bn would be spent on nuclear safety and $3.2bn on modernising nuclear plants. Spending on acid rain measures and on conservation would rise to $384m.

EDUCATION: Mr Bush would spend $58m to reward successful schools and help black colleges.

CHILD CARE: a new tax credit for low-income families would cost more than $2.5bn by 1993, and expanding the Head Start programme for disadvantaged children will cost $253m.

THE BUSH BUDGET TOTALS

(Figures in parentheses show Reagan proposals of Jan. 1989, $bn)

	1989	1990	1991	1992
Receipts	979.3 (975.5)	1065.8 (1059.3)	1218.5 (1140.1)	1286.5 (1212.2)
Outlays	1149.5 (1137.0)	1160.4 (1151.8)	1211.8 (1207.3)	1249.2 (1244.4)
Deficit	170.2 (161.5)	94.8 (92.5)	64.2 (66.9)	30.5 (32.2)
G-R-H target	136	100	64	28

EFFECT OF HIGHER INTEREST RATE & GNP ASSUMPTIONS

(Change in forecast deficit, $bn)

	1989	1990	1991	1992
Interest rates	+3.1	+2.8	+1.4	+0.9
Higher GNP	-2.7	-2.0	-1.8	-1.3
Net effect	+0.4	+0.8	-0.4	-1.0

THE REAGAN ECONOMIC PROJECTIONS

(Comparable Bush projections not available) Per cent, calendar years.

	1987 actual	1988	1989	1990
GNP growth ($ value)	8.3	6.8	7.4	7.0
Real GNP growth	5.0	2.8	3.5	3.4
GNP deflator	3.1	3.9	3.7	3.5
Consumer prices	4.6	4.2	3.6	3.5
Int rate, T-bills	5.8	6.7	6.3	5.5

OVERSEAS NEWS

Manley's poll win set to give PNP 44 of 60 seats

By Canute James in Kingston

MR MICHAEL Manley is to be sworn in for a third term as Prime Minister of Jamaica this weekend eight years after his social democratic People's National Party was humiliated in an election.

The PNP scored a decisive victory in Jamaica's violence-plagued general election on Thursday, and appears set to take 44 of the 60 seats in the House of Representatives.

Mr Manley will replace Mr Edward Seaga, leader of the conservative Jamaica Labour Party, who campaigned unsuccessfully on his Government's record in lifting the island's economy out of a decade of stagnation.

Mr Manley, admitting the economy had grown, attacked Mr Seaga's administration for neglecting social services such as health and education, adversely affecting the quality of life for Jamaica's poor. It was on this issue which the election apparently turned in Mr Manley's favour.

The campaign repeated the violent pattern of recent years. Frequent clashes between zealous party adherents left 12 people dead. But Jamaicans are likely to consider this a success, as 50 times as many were murdered in the last election in 1980.

Manley: years of opposition brought moderation

Mr Manley returns to the Prime Minister's office a more moderate man than when he left it, heavily defeated, in 1980. He has sought, with some success, to assure US officials that there will be no repeat of the tense relations between Kingston and Washington of the 1970s, and that his brand of social democracy, and his re-opening of diplomatic links with neighbouring Cuba, cut by Mr Seaga in 1981, will not threaten US interests in the Caribbean.

Speaking after the PNP's victory was clear, Mr Manley cautioned his supporters against attacking those of the Labour Party.

"We know that sometimes we win and sometimes lose," Mr Manley said. In conceding defeat, Mr Seaga said his administration had "nothing to be ashamed of" in its eight years in office.

"We can hold our heads very high as a previous government, and we will hold our heads as high as an opposition."

He did not repeat his accusations, made on Thursday, that the PNP had indulged in fraud.

There is now some uncertainty about Mr Seaga's future as leader of the Labour Party. Party officials said yesterday they could not comment on his plans, but suggested that if he offered his resignation as leader of the party it would not be accepted.

Heavily armed soldiers and policemen were rushed yesterday to Spanish Town, 15 miles west of Kingston, the capital, after factions of the JLP and the PNP attacked each other. The police said roadblocks in parts of Kingston, mounted on Thursday night by party supporters, were cleared

Man in the News, Page 6

Producer prices rise in US

By Anthony Harris in Washington

US factory-gate prices rose a full percentage point between December and January, the Labor Department announced yesterday. The increase was led by the volatile food and energy sectors, and other prices rose by 0.4 per cent, exactly the average for 1988.

The announcement caused some shock in the financial markets, and two major banks announced higher, 11 per cent prime lending rates. But stock prices recovered on further consideration: the markets have been discounting a rise in inflation to a 4-5 per cent annual rate for some time. Bond prices, however, remained some ¾ of a point off on the view that higher inflation, and likely difficulties with the Bush budget, will entail higher interest rates.

The January increase brings the year-on-year rise in producer prices to 4.4 per cent, compared with 2.9 per cent only three months ago; the underlying factors suggest that it is unlikely to fall back much from this level. The food price increases reflect higher meat prices, the expected result of early slaughter during last year's drought, and concern that the recent Arctic weather will damage the winter wheat crop. The energy price increases follow the imposition of higher Opec oil prices.

There is a suggestion of further price acceleration in the figures for crude and intermediate materials. The index for crude materials rose 3.4 per cent in the month, reversing a fall of 1.7 per cent in the previous six months, and many industrialists believe that this marks a break in the underlying trend. The index for partly-processed goods and components is up 6 per cent on the year, and continues to rise at that rate.

On the other hand there are some signs of weakening demand pressure in the December figures for wholesale trade, published by the Census Bureau yesterday. This shows a downward revision of 0.6 per cent from first estimates.

Swan returned with reduced majority in Bermuda election

PRIME Minister John Swan and his ruling United Bermuda Party won their third general election in six years on Thursday, but lost a quarter of their parliamentary voting bloc, AP reports from Hamilton, Bermuda.

Mr Swan will have to run Britain's oldest colony with a reduced majority after his party lost eight seats.

The UBP began the campaign with 31 of the 40 seats in the Atlantic island's House of Assembly, but won 23 seats in the election.

The opposition Progressive Labour Party won most of the seats which were lost by the UBP, and it now controls 15 seats.

Mr Swan said he expected his party would lose some ground and he attributed the losses to the "ebbs and flows of democracy".

"We have a reduced majority but it is still a working majority," the Prime Minister said.

He acknowledged the election's outcome was a setback and that his party had been sent a clear message from Bermuda's 30,000 registered voters. "We will be ensuring frank and open discussion in order to keep the public informed," he said.

The United Bermuda Party won 50 per cent of the popular vote, 22,774 votes, down from 62 per cent in the election of October 1985. The Labour Party won 16,848 votes, 37 per cent.

Australian unions to seek pay rises from employers and tax cuts from government

By Chris Sherwell in Sydney

THE Australian Council of Trade Unions is to pursue a dual wage strategy in the 1989-90 pay round which seeks increases of A$30 (£15) a week based on industry agreements and A$20 a week in tax cuts.

The figures, agreed on Thursday at a union conference, were the first to be put on the ACTU's pay demands. Depending on how the complex claim would be implemented, it could produce income increases of 7-15 per cent for average wage-earners.

The ACTU excluded, except as a last resort, a demand from left-wing unions for additional increases linked directly to the cost-of-living. This is seen as heading off a wages explosion and as a victory for the moderate leadership of Mr Bill Kelty, ACTU secretary, and Mr Simon Crean, president.

Regarded as equally significant is the link between the proposed A$30 increase and "award restructuring", which entails a drastic reduction of job classifications and demarcation and, as a result, promises productivity increases.

The call for a tax cut is seen as affordable because the federal government's prospective fiscal surplus, projected at A$5.5bn last August and expected to be higher, will cover it.

But employers and some analysts argue that it bypasses the Government's original plan to trade off wage increases against tax cuts, designed for an environment of falling inflation which has so far failed to materialise.

The fear is that the ACTU's wage claim, when all aspects of it are taken into account, will further fan the inflationary flames. Employers say productivity improvements coming from "award restructuring" cannot possibly pay for A$30 pay increases, so these too will be inflationary.

The Government's reaction is eagerly awaited. Prime Minister Bob Hawke, speaking from New Delhi, has already called the ACTU position "economically responsible". It is scheduled to go into negotiations with all groups over the next few weeks before they each argue their case formally before the Industrial and Arbitration Commission as part of Australia's peculiar wage-fixing system.

Bob Hawke: views strategy as 'economically responsible'

The pay issue is important to the Government's management of the economy because it is reluctant to tighten either monetary or fiscal policy further to cool domestic demand in spite of trends on both the inflation and balance of payments fronts prompting calls for it to do so.

Yesterday the National Australia Bank, one of the country's big three commercial banks, said in a monthly report that the Australian economy faced a convergence of problems, with an unpromising outlook for inflation, the current account deficit and interest rates.

It forecast a current account deficit of A$14bn for 1988-89, up from A$12bn last year, and more than A$15bn next year. The inflation rate, it said, would rise again in the present quarter to an annual rate of 7.9 per cent.

Baker sets off on a listening tour

Peter Riddell reports on the new Secretary of State's European trip

AS Mrs Margaret Thatcher and Sir Geoffrey Howe prepare for lunch this weekend with Mr James Baker, the US Secretary of State, they might reflect that his university thesis was an admiring study of the great Labour Foreign Secretary Ernest Bevin.

In it Mr Baker praised Bevin's skills as an "expert negotiator" who never became lost in the idealistic. Mr Bevin, according to the youthful Mr Baker, was "always very practical." He sought "concrete advantage."

The same could be said of the new US Secretary of State as he starts on an eight-day charge around the European Nato capitals – breakfast here, lunch there and dinner a few hundred miles away.

The official purpose is to see all his opposite numbers, many of whom he already knows from his days as Treasury Secretary and White House Chief of Staff.

Mrs Rozanne Ridgway, the assistant secretary of state for European and Canadian Affairs, said in a preliminary briefing "the principal message is that the US and the Secretary of State want to be involved in a meaningful, timely, early consultative process with allies on the full alliance agenda, and in particular on East/West."

The Bush administration has always said it wants to assess the opinion of allies ahead of formal discussions with the Soviet Union, and the start of new conventional force negotiations and of strategic arms reduction talks. A meeting of Nato foreign ministers is also scheduled ahead of a full-scale heads of government summit in the early summer.

Mr Baker's visit is far from a formality in view of current sensitivities on the Continent over the modernisation of short-range nuclear weapons and over burden sharing.

While the trip is primarily a Nato consultation, Mrs Ridgway said that Mr Baker will be meeting Mr Jacques Delors, the president of the European Commission, and discussing community issues with relevant foreign ministers.

In particular, Mr Baker has repeatedly stressed his concern with the implications of the creation of the EC internal market after 1992. At present, there is considerable wariness in Washington about the creation of a protectionist block, notably over financial reciprocity. Mrs Ridgway said she wanted to examine "ways that haven't yet been explored that will help identify problems early – in fact before they're problems – issues that have a potential for being difficult?"

Trade issues, such as the stalemate in the Uruguay round, and the Middle East will also be on the agenda.

One complication is the remaining gaps in the State Department. Mrs Ridgway does not expect to continue in her present post and a replacement has not yet been named.

All the signs from Washington are that Mr Baker – true to his character, and that of his model Bevin – will mainly be listening during his European tour.

Government acts to safeguard water quality

By John Hunt, Environment Correspondent

THE GOVERNMENT last night published proposals that Mr Michael Howard, Environment Minister responsible for the water industry, claimed would go beyond the strict quality requirements of the European Community drinking water directive.

He published two consultation papers which, he said, set out a "comprehensive new system for safeguarding and improving the quality of water supplies."

However, Mr Howard gave no indication of the date by which Britain would meet the EC requirements.

This is the latest move in the tussle between the Government and Brussels over whether the privatised water industry would be able to comply fully with the tough water quality standards of the directive.

Britain is seeking permission to delay fully implementing the EC standards because early compliance would require a huge investment programme for the newly privatised water concerns.

The feeling in Brussels last night was that Mr Howard's latest announcement would not make any difference to the insistence by Mr Carlo Ripa di Meana, the EC Environment Commissioner, that Britain cannot get an exemption from the EC standards.

Mr Howard's proposals are based on the water privatisation bill now in its Commons committee stage. There would be more frequent and accurate sampling of water quality and new procedures for approving chemicals and other substances in water.

Water suppliers would be required to provide full information to consumers on the quality of tap water. Once the regulations are in force, local authorities and a new water quality inspectorate would check that they were being complied with.

The Water Authorities Association, which represents the 10 water authorities which will be privatised, last night welcomed the draft regulations and guidance.

"Though they will place new demands on water authorities, we think they are sensible and workable," it said.

However, in private, members of some authorities had reservations about the extra costs that would be imposed by the proposals. One official described them as "very expensive measures."

Hill Samuel director admits he took bribes

By Richard Waters

A FORMER director of Hill Samuel, the merchant bank, admitted in the Central Criminal Court yesterday that he had taken bribes over renovation work carried out in preparation for Big Bang.

Mr Peter Mason was the bank's administration director at the time and responsible for awarding refurbishment contracts.

Like other banks in the run-up to the sweeping changes in share trading rules, Hill Samuel spent millions of pounds on adapting its premises.

Mr Mason awarded air-conditioning installation contracts for the bank's 100,000 sq ft offices in Wood Street in the City, said Mr David Calvert-Smith, prosecuting. The contracts, worth £2,160,000, went to Denver House Sales in Leatherhead, Surrey.

In return, Mr Mason was paid between 3 per cent and 5 per cent of the contract price, totalling more than £100,000, it was alleged.

Two executives of Denver House Sales – Mr John Hewlett, managing director, and Mr Douglas Jeavons, general manager – admitted paying the bribes.

Mr Mason claimed that Mr Jeavons kept part of the bribery money, though Mr Jeavons denied this.

The bribes only came to light when Mr Hewlett called in police to investigate possible thefts from Denver House Sales.

All three men admitted conspiring to contravene the Corruption Act. They were released on bail and will be sentenced on April 7.

Health scares turn heat up on food policy

Michael Cassell on how ministers have had to come to terms with public concern

FEW MPs or ministers would, until a few weeks ago, have given any credence to the idea that food and its associated health risks would be at the top of the political menu at the start of 1989.

Yet the public debate which was kicked off just before Christmas by Mrs Edwina Currie, the then junior health minister, with remarks about the likely scale of salmonella infection among hen-laying chickens, has gathered momentum ever since.

Rising public anxiety about the apparent increase in the scale of food-borne bacteria such as salmonella and listeria has been whisked up, with more than a touch of press hysteria about "killer eggs" and "deathburgers," to present the Government with a problem which it did not expect.

Though many ministers appear bemused and, for the most part, unconvinced about the scale of the unexpected "crisis," they accept the Government now has no choice but to be seen to be giving the issue urgent priority.

Since the start of the year, the Ministry of Agriculture has revealed that it is planning to introduce a food bill in the next session of parliament, hailing it as the most important piece of food legislation since the Food and Drugs Act of 1938.

This week alone, the Cabinet devoted half its weekly session to the subject of food and food infection and there was also a fresh batch of alarming estimates about the spread of food poisoning. One source suggested that 80,000 infected eggs were being eaten daily.

Kenneth Clarke: in favour of 'more considered advice'

The Government also announced a new campaign to spell out guidelines for handling and cooking convenience foods, and the setting up of a committee of scientists and officials to investigate food safety. In addition there is to be fresh advice on combating listeria in food.

It was with a wry grin that Mr John MacGregor, the Agriculture Minister, this week told the Commons Agriculture Committee that Mrs Currie's communication skills had proved more adept than those of his own department in raising public awareness.

However, critics of the Government's handling of the affair – this week dubbed the "salmonella shambles" by Mr Neil Kinnock, the Labour leader – do not believe that either Mr MacGregor or Mr Kenneth Clarke, the Health Secretary, have been trying to come to grips with the affair.

They prefer to paint a picture of indecision and ineptitude and of cosy, inter-departmental conspiracies intended not to pursue measures designed to safeguard public health but to protect the financial interests of the food industry. The instructions, they claim, have been to shut up, rather than open up.

Almost at once, old concerns about the alleged, conflicting roles of the Ministry of Agriculture resurfaced. It was not just Labour MPs at Westminster who suggested that it would be more appropriate if the food responsibilities of the ministry were hived off to a newly-created department.

There have also been calls for a new Department of Consumer Affairs but any form of shake-up appears to have been firmly ruled out by Mrs Thatcher.

Ministers have been quick to deny the suggestions of collusion or of trying to protect farmers at the expense of their customers.

Mr Richard Ryder, the junior agriculture minister, said this week he had told the egg industry to clear off when he was asked to submit for approval a press release saying the salmonella issue had to be tackled by producers in order to retain public confidence.

John MacGregor: grudging praise for Mrs Currie

Ministers claim that, for some time, they have accepted there is a growing problem as modern food and contemporary eating habits undergo nothing less than a revolution. But they have also stressed the need to take considered, professional advice and emphasised that any health risks must be kept in perspective.

As Sir Donald Acheson, the Government's chief medical officer, said yesterday, around 200m meals are consumed every day in the UK and almost all are safe and nutritious.

Official concern about salmonella in eggs rose in late 1987 when the Department of Health informed the Ministry of Agriculture it was worried, although there was no clear evidence to draw a connection with eggs.

It was Mrs Currie, however, who brought to the surface a problem which the responsible government departments had been handling with kid gloves. Despite endless rumours to the contrary, the relationship between Mr MacGregor and Mr Clarke do not appear to be have been under any particular stress since the affair surfaced.

There was certainly some initial annoyance on the part of Mr MacGregor over Mrs Currie's outburst at a time when he was abroad and unable to react as he would have wished. Mr MacGregor has denied that he called in private for Mrs Currie's resignation.

Looking on, as always, has been the Treasury, whose annoyance at having to provide an additional £19m to fund the egg industry rescue package may now be tempered by the prospect that most of it will not now need to be spent.

It now seems highly likely that the food and health issue will continue to rank high on the political agenda during the coming months.

It will provide a new battleground for Westminster's political sparring partners. Yesterday, Mr Robin Cook, Labour's health spokesman, continued to voice his fears about the government's readiness to tackle the problem openly.

Mr Clarke has had his own response: "I think that Robin Cook should stop eating hut other members of the public should wait for more considered advice."

Public 'needs educating on risks of food poisoning'

By Lisa Wood

LARGE sections of the population thought that food poisoning was caught in restaurants, not in the home, according to a survey carried out 18 months ago by the Ministry of Agriculture, Fisheries and Food.

Such ignorance is one reason why the MAFF, in a joint venture with the Department of Health, will shortly issue 4m leaflets giving basic rules about hygiene, such as washing hands before food preparation and avoiding reheating leftovers.

The leaflets are part of a more strident approach towards food hygiene that is being adopted by the Government in the wake of the concern over salmonella and listeria contamination of food.

The food industry welcomes it. Professor Alan Holmes, of the Leatherhead Association, a research body largely funded by food manufacturers, said: "Food poisoning is a complex issue. There are so many sources of contamination."

Education for the public, he said, was vital because of changes in food technology and the recent removal of many additives that reduced the preservative properties.

Food legislation, said Prof Holmes, was adeqnate although regulations needed amending in the light of new technologies. But there was no need for panic measures.

The Government has been re-examining the Food Act of 1984 since 1987. Officials within MAFF admit that much of the act is out of date because it was a consolidating piece of legislation. Included are some 19th-century regulations concerning food adulteration. "That is not a problem now," said MAFF. "Today we are more concerned with new methods of food preparation."

The new food bill, which is not scheduled for this session of Parliament, will take account of developments such as ready-cooked meals which are kept in retailers' chill cabinets. Temperature control and sell-by dates are critical to the food's safety. Neither is at present controlled by government regulation.

Talks are, however, being held between government departments and retailers of ready meals with a voluntary code of practice being drawn up. Retailers argue that they need flexibility as different foods demand different temperatures and sell-by dates.

The Government says that in spite of the inadequacies of existing food legislation, it does have sufficient powers to prosecute those who produce contaminated food.

However, the task has been made more difficult over recent years because of a shortage of environmental health officers.

In 1980 there were 135 vacancies for environmental health officers. In 1987 there were 435 out of a total of about 6,000 posts.

The shortage, according to the Institution of Environmental Health Officers, has meant statutory duties taking precedence over non-statutory duties such as inspecting food premises.

Valve maker closes site with loss of 900 jobs

By Nick Garnett

HOPKINSONS Holdings, the specialist valve maker, told its workforce yesterday that it was closing its main production site in Huddersfield with the loss of 900 jobs.

The group, which has recently experienced a sharp fall in profits and several management upheavals, announced last month the closure of its Blakeborough Valves subsidiary in nearby Brighouse with the loss of 430 jobs. Mr Jim Russell, the group's managing director, resigned two weeks ago.

It was unclear last night whether the decision to issue redundancy notices at the main Huddersfield site was part of labour relations difficulties at the site.

Management and unions have been in deadlocked negotiations over a 6.5 per cent pay offer, an overtime ban and the dismissal of the site's deputy convener. The company declined to comment.

Mr Stephen Guest, the union convener at Huddersfield, said local management and the workforce had already begun to try to interest outside capital with a view to a management-workforce buy-out.

He said the workforce had been upset by what he said was a lack of management continuity and organisation. "The workforce has been worried for two years."

The Hopkinsons group is Britain's largest maker of specialist valves, including units for nuclear and conventional power stations. The Huddersfield site is the heart of the company and makes steam valves, actuators, boiler mountings and soot blowers.

Group management is believed to have told the workforce that Hopkinsons Ltd was losing money at £2m a year before the overtime ban and that that had increased to £3m.

The group announced last May a drop in pre-tax profits to £1.58m from £9.14m for the year to January 31 1988. The figure included a £4m write-off before tax on the closure of its W. B. Controls plant at Radcliffe, near Manchester.

Four northern pits on list for possible closure

By Maurice Samuelson

FOUR YORKSHIRE collieries, employing 2,300 miners, became candidates for possible closures or big job cuts yesterday after failing to respond to calls for higher output in the past three months.

Mr Albert Tuke, North Yorkshire area director of British Coal, gave the warning to Denby Grange and Park Mill, run jointly as the Westside complex in West Yorkshire, and Howton and Darfield Main, South Yorkshire, which are also interconnected.

The Westside Complex had lost £11m in the current financial year so far because of poor geology and – in the case of Denby Grange – troubled labour relations.

The situation was equally serious at the Howton-Darfield Main complex, with combined losses over £12m to January.

As a result, the two complexes, as well as the washery at Woolley colliery, West Yorkshire, were being put into the "extended review procedure" – the last stage before deciding to suggest closure.

Two other pits – Allerton Bywater, West Yorkshire, and Grimethorpe, South Yorkshire – which also caused concern were now making profits.

Collins finance director resigns

By Fiona Thompson

WILLIAM Collins, the publisher, yesterday announced that Mr Christopher Taylor is to resign as group finance director on March 7. He is the sixth director to resign since News International's successful £403m bid for Collins last month.

Mr Taylor has left because of differences of style between him and Mr George Craig, who was appointed chief executive on January 24.

Courtalds blames strong pound for factory closure

By Maggie Urry

COURTAULDS, the textiles group, is to close a Scottish clothing factory with the loss of 180 jobs. It blames the closure on the strength of sterling.

The factory in Rosyth, near Dunfermline, makes men's underwear under the Jockey and Y-Front brands.

Since April last year Courtaulds has cut about 2,000 jobs because the pound's rise, particularly against the US dollar, has encouraged imports of textiles to the UK and made British exports less competitive. Other textile groups have also announced large redundancies. Courtaulds employs about 30,000 people in this country.

Mr Martin Taylor, head of Courtaulds textiles division, said the job losses were part of a continuing trend. A higher level of imports had been established when the pound strengthened and imports could hold on to that market share even if the pound weakened slightly.

The Jockey division has two factories. The other is at Gateshead, Tyne and Wear. Both had been on short-time working for some months.

Mr Taylor said the company had tried to keep the plants going by taking on marginal business, such as some own-label underwear. However, a further fall in Jockey sales overseas meant that there was now too much of this marginal work.

The knitting and dyeing work done at Rosyth would move to another plant, and the stitching work would be transferred to Gateshead, Mr Taylor said. The cost of closing the Rosyth factory would be £1m, he said, although part of this would be writing off plant and equipment.

Last November Courtaulds announced a 4 per cent fall in interim pre-tax profits and blamed the intense competition caused by the rising pound.

Forced sale of GPT stake to Plessey would cost GEC £200m

By Raymond Hughes, Law Courts Correspondent

THE DRASTIC consequences for General Electric Company if it were forced to sell to Plessey its half interest in GPT, the joint venture telecommunications business the two set up last March, were spelled out in the High Court yesterday.

GEC would lose its strategic position in the UK telecommunications industry – almost the whole of whose manufacturing capacity was in GPT, said Mr Jonathan Sumption, QC, acting for GEC.

It was estimated that GEC could lose about £200m on a forced sale, he said.

Plessey claims it can exercise an option to buy out GEC compulsorily because of the takeover bid last November for Plessey from GEC and Siemens, of West Germany.

GEC is asking the court to declare that Plessey has no legal right to exercise the option.

Mr Sumption told Mr Justice Morritt that the option would enable Plessey to acquire GEC's interest in GPT at an extremely favourable price.

The joint venture agreement required the shareholding to be valued without reference to any premium attributable to its size and therefore to the control it conferred.

"It's largely a matter of guesswork what difference it makes in financial terms, but plausible estimates indicate that a 50 per cent interest may be worth something in the region of £800m without the pre-emption formula, whereas it would pass for £600m or thereabouts under the option clause," Mr Sumption said.

He acknowledged, however, that tha estimates were "highly speculative."

Mr Sumption said Plessey contended that the mere making of the bid agreement between GEC and Siemens had been a breach by GEC of its GPT agreement with Plessey.

However, he said, the bid for Plessey had been referred to the Monopolies and Mergers Commission and the offer had therefore lapsed – as had the agreement between GEC and Siemens, since it had been limited to the particular bid.

If the bid were cleared, the offer would no doubt be made again, but pursuant to another agreement between GEC and Siemens which might not be in the same terms.

Mr Sumption said that the GPT agreement permitted one party compulsorily to purchase the other's shares in any one of a number of "relevant events."

One was breach of a restriction on dealing in GPT shares. Plessey contended that the agreement between GEC and Siemens that, if the takeover were successful, GPT's share capital would be enlarged and Siemens given a 40 per cent interest in it, was a breach.

Plessey argued that such an arrangement could not be carried into effect unless GEC voted in favour of certain resolutions at a general meeting of GPT; that the right to vote at a general meeting was an interest in shares; and that by promising to vote in a particular way GEC had dealt with its interest in its GPT shares.

Mr Sumption said GEC had three answers to Plessey's contention.

- A shareholder who made a commercial contract with a third party did not deal with an interest in shares simply because his performance of the contract could not be fulfilled without his voting in favour of some resolution.
- The restructuring of GPT planned by GEC and Siemens could occur only after a successful takeover bid.
- In any event, the bid was conditional on a number of things, one being the bid's success – an event outside the direct control of GEC and Siemens – and another that the restructuring proposed was within the legal limitations.

The hearing continues on Monday.

BZW and Phillips & Drew to raise Seaq-quoted limits

By Nick Bunker and Patrick Harverson

BARCLAYS DE Zoete Wedd and Phillips & Drew, the securities houses, plan to increase the size of their quoted bargains on the Stock Exchange's Seaq trading system on Monday.

The decision ends a period of months when the two firms would not quote on the screen-based Seaq for deals of more than 5,000 sharee. It is a response to the exchange'e forthcoming implementation next week of a controversial new trading rule, which aims to strengthen the existing market for UK equities.

Last August P&D reduced the size of the bargains it quoted on Seaq. BZW followed suit six weeks later. Neither made any secret of the fact that they were doing eo to defeat what they saw as parasitic activities by other market makers, which were taking on large positions and then cutting their risks by immediately unloading stock on to big players such as BZW and P&D.

The new rule enables the two firms to return to larger Seaq quotations, because it scraps the post-Big Bang obligation on market makers to quote firm prices for each other on the system.

The rule has been criticised, however, for diluting the transparency and liquidity of the market that Seaq was intended to create.

Some rank-and-file market traders were convinced yesterday that executives of several market-making honses have discussed establishing an unofficial agreement to deal with each other at Seaq prices in a pre-arranged minimum size.

Any such agreement, which would appear to revive pre-Big Bang practices, might run the risk of coming under scrutiny from the Office of Fair Trading if it froze out other market-makers such as the US-owned firms.

BZW will not necessarily return to its pre-October sizes, but Mr Peter Holloway, its chief market-maker, said the band of sizes it would quote for transactions in the heavily traded alpha stocks would range from 10,000 to 100,000 shares. The range for the less actively traded betas and gammas would be "anything from 5,000 to 100,000," he added.

Mr Holloway said BZW decided to increase the sizes quoted on Seaq because there was "a danger that if we did not, the sizes quoted in the overall market would fall to where we are now."

Sharp rise in use of unleaded fuel surprises environmentalists

By John Griffiths

THE USE of unleaded fuel in the UK is suddenly accelerating at a rate which has surprised even those leading the environmental campaign.

The campaign received a further shot in the arm yesterday, when it was announced the fleet of Rolls-Royces used by the Queen on official engagements is to be converted to unleaded fuel next week.

According to Mr Tony Fox, executive director of the Petroleum Industry Association, what is mainly needed now is for Mr Nigel Lawson, the Chancellor, to increase the tax differential in favour of unleaded fuel by 4p in the Budget.

"If that were to happen, I believe that by the end of this year nearly half of the UK's 20,000 petrol stations could have been equipped to dispense unleaded."

Even though the UK has a commitment to the European Community to make unleaded fuel widely available by October, such a level of installation would be double the PIA's previous estimate towards the end of last year.

Mr Fox insists that making the forecast contingent opon the extra 4p tax "break" does not mean there is any financial gain for the petrol supply industry.

"All of the 4p would be passed on at the pumps, because the compensation to the industry for the extra costs of unleaded was provided for first time round."

The Government introduced an initial 5p tax advantage compared with leaded four-star in 1987, but virtually none of this was passed on at the pumps. Last year another 5.5p differential was provided, leading to the current price advantage of nearly 6p a gallon compared with four-star.

The PIA and Clear, the Campaign for Lead-Free Petrol, point to the precedent set by West Germany, where unleaded fuel sales did not really take off until there was a 10p per gallon differential.

Tony Andrews

The UK's first completely unleaded petrol station in Baker Street, London

Even so, in the past four months hoth sales of unleaded fuel and its availability have been exceeding forecasts. The PIA had expected about 3,000 UK filling stations to have the fuel by the end of 1988. This level was comfortably exceeded and, with new installations now running at 60 a week, the total is already close to 4,000.

PIA statistics show that after bumping along at about 1 per cent of total petrol sales for much of last year, unleaded fuel's share rose to 1.6 per cent in October, 2.5 per cent in November and was estimated to have reached over 3 per cent in December.

The Motor Agents Association says the current sales could even be 6 to 7 per cent of the total. The Environment Department acknowledges that there has been a "dramatic" increase over the past two to three months.

The PIA insists, however, that the level is lower than it should be. It is disappointed that the environment and transport departments have not spent more on dispelling some of the still widespread public confusion about which cars can use unleaded fuel, or which can be adapted (about two thirds of the UK's 22m cars should be able to use it, the majority with very minor adjustment).

Instead, much of the momentum is being generated by vehicle manufacturers, the husiness car sector and the oil industry.

All cars now offered by Vauxhall and several other manufacturers can run on unleaded or leaded fuel, for example. The new Ford Fiesta range - to be launched next month - is designed for unleaded and Ford says that anyone who insists on having a car re-calibrated to use leaded fuel will have to pay for it.

Meanwhile, Tesco, Marks and Spencer and an increasing number of companies are having their vehicle fleets converted.

Interleasing (UK), a vehicle leasing and rental group, has carried out a study which concludes that at a 6p per gallon differential, if the typical cost of modification is less than £25, the cost of conversion could normally be covered in the first 20,000 miles.

Scottish Office to put up cash for Hall Russell ferry

By James Buxton, Scottish Correspondent

THE SCOTTISH Office will be contributing to the cost of a ferry for the island of St Helena in the South Atlantic which is being built by Hall Russell, the Aberdeen shipyard which went into receivership three months ago, Mr Malcolm Rifkind, the Scottish Secretary, said yesterday.

The ferry was being built for the Overseas Development Administration at a price originally agreed at £19m. Because of the receivership that price will be exceeded and the burden will fall on the Scottish Office rather than the Overseas Development Administration, under an agreement reached when Hall Russell won the contract to build the ship. The extra cost is not being disclosed.

Hall Russell, which was privatised by British Shipbuilders in 1986, went into receivership in November with debts of £10m, it was disclosed this week. While secured creditors will receive a portion of the £2m they are owed, other creditors are expected to receive nothing. The work so far done on the ferry is less than the value of payments received for it, according to Mr Frank Blin, the receiver from Cork Gully.

The ODA is now negotiating with Zenta Engineering Holdings, a Scottish-based company, to complete the ferry. Zenta would also take over the assets of the yard.

Mr Rifkind said yesterday that Hall Russell made the lowest bid to build the ship in open competition. But the Government had known that it might face financial difficulties if it won no other orders, and to ensure that the work went to Aberdeen agreed to contribute to the overseas aid programme if costs went above an agreed level.

"It is still hoped that contract negotiations to complete the ship in Aberdeen under a new owner will successfully be concluded shortly," Mr Rifkind said. "In the event the Scottish Office contribution will have enabled the yard and the direct and indirect employment dependent on it to be saved."

UK NEWS

Lesson the sixth forms must heed

Michael Prowse explains why A-level specialisation is now outmoded

THE THATCHER government claims to be committed to expanding access to higher education. There is talk, in the longer term, of doubling from under 15 per cent to 30 per cent – the proportion of 18-year-olds who proceed to university or polytechnic. But such an expansion is unlikely to be achieved without radical reform of the British sixth form, which remains one of the peculiarities of the modern educational world.

In most developed countries, a large proportion of 16 to 19-year-olds remain in school and study a broad range of subjects. Specialisation is postponed until the second or third years of a university course.

Candidates for the French Baccalaureat, for example, typically take written and oral examinations in seven subjects. In West Germany, students follow a broad curriculum and must take examinations in German, maths and science, and a modern language. Much the same is true of Japan where the upper secondary school curriculum includes mathematics, science, social sciences and languages.

England is the odd man out. Around 70 per cent of children leave school at 16; those that remain specialise to an extraordinary degree, usually taking at most three subjects in the General Certificate of Education at Advanced Level. The exam was introduced in 1951 and tailor made for the small minority of bright children who were expected to attend university.

Today, A levels look increasingly anachronistic. The focus on factual learning is out of tune with innovations such as the GCSE tests for 16-year-olds, which emphasise skill and understanding. The narrow specialisation contrasts oddly, not just with practice abroad, but also with the Government's new broad curriculum for the school years.

Students in recent years have shown more willingness to mix science and non-science subjects at A level, but university requirements and time-table limitations ensure that 70 per cent still study complementary, rather than contrasting, subject combinations. Thus students taking maths are likely to combine it with physics and chemistry.

Subject choice is also disturbingly influenced by gender. In 1985, maths was taken by 69,000 boys in England but by only 28,000 girls. English, on the other hand, was taken by 42,000 girls but only 18,000 boys. Physics was nearly four times as popular among boys as girls. But three times as many girls as boys took general studies.

Even so, attitudes towards premature specialisation are beginning to change. Many schools and most educationalists are now convinced that sixth form study should be broadened. Universities, which were once strong defenders of A levels, are no longer opposing reform.

In 1987, Mr Kenneth Baker, the Education Secretary, asked Professor Gordon Higginson, the Vice Chancellor of Southampton University, to examine the A level system. Reporting last June, the Higginson committee said responses by industry, commerce and schools revealed "overwhelming" support for increased breadth in sixth-form study.

Its main recommendation, therefore, was that 16 to 19-year-olds should study five instead of three A levels. This would be possible, it claimed, if syllabuses were pruned of unnecessary padding and if students devoted more of their timetables to examination studies.

The claim that a greater range of subjects does not imply less depth looks implausible to some educationalists. However, if the lesser A levels constitute a "vertical slice" through existing syllabuses, they could surely be as demanding while covering less ground. Moreover, the overall factual content of sixth form study would not necessarily diminish because students would be taking more subjects.

Prof Higginson's report was poorly received by the Education Department. On orders from Downing Street, Mr Baker rejected the proposed five-subject programme, arguing that the traditional A level was an important guarantor of high standards. He said that broadening could be achieved by means of the new Advanced Supplementary examination.

The AS level is being offered to candidates for the first time this summer. It is intended to be as searching as an A level, but to take only half the time. The main examination boards say that entries are running above expectations. The University of London board, for example, reports 11,000 entries for this summer, which is equivalent to roughly 9 per cent of its A level entries.

However, many experts doubt whether the combination of A and AS levels will achieve the desired broadening of sixth-form studies. Universities have agreed to accept two AS levels as equivalent to one A level. Some vice chancellors, such as Professor Graeme Davies at Liverpool University, strongly support the new exam and will not discriminate against applicants who have no A level passes, provided they have sufficient ASs.

However, most universities seem to regard AS as genuinely supplementary. Candidates with one or two AS passes will be welcomed provided they also have two or three A level passes in their main subjects. There is a danger, therefore, that AS levels will be used as token broadeners for able pupils. The Joint Matriculation Board in Manchester says that general studies is easily its most popular AS level; the Associated Examining Board in Guildford says its top two AS subjects are psychology and sociology.

This reflects the fact that many schools do not have the staff resources to offer the standard subjects at both A and AS level. The decision that AS levels should be as demanding as A levels is also creating tension. Many students taking arts A levels, for example, have dropped maths and physics because they found them too difficult; they would be more likely to take ASs in these subjects if they were pitched at a lower level than the corresponding A levels.

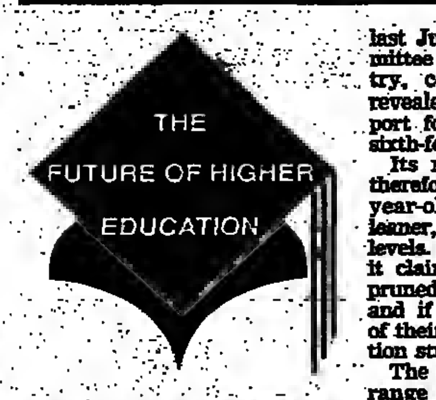
AS levels represent a welcome extra degree of freedom in sixth form study. They will enable some students to study a slightly broader range of subjects. But unless they eventually replace A levels (which looks improbable), they will not provide British children with the kind of balanced curriculum found abroad. Sooner or later the Government will be obliged to bring in more radical reforms.

This is the sixth article in a series. Previous articles have appeared since last Monday.

THE General Certificate of Secondary Education exam has produced a marked increase in the number of 16-year-olds staying in full-time education, Mr Kenneth Baker, the Education Secretary, claimed yesterday.

The minister released provisional results showing a rise of 2.7 per cent to 48.8 per cent in the staying-on rate for 16-year-olds in English schools between 1987 and 1988, when the GCSE was taken for the first time.

This compares with an average rise of 0.5 per cent in each of the previous three years. However, the figures are unusual in showing an exceptionally sharp drop of 6.8 per cent in the number of 15-year-olds between 1987 and 1988.



EMPLOYMENT

Difficulties for job schemes in north-east

By Charles Leadbeater, Labour Editor

EMPLOYMENT Training, the Government's £1.5bn training programme for the adult unemployed, is facing mounting difficulties in attracting trainees in the north-east, an area with one of the highest unemployment rates in the country.

Local government union officials at Cleveland County Council and at Gateshead and Newcastle local authorities said yesterday that schemes run by the authorities were all running well below targets set for them when Employment Training was launched in September.

The difficulties the authorities are facing in filling places on the schemes contrast with official reports that the scheme has got off to a promising start.

It is intended to provide an average of six month's training for about 600,000 people a year. Latest official figures show that about 110,000 people have joined the scheme since its launch.

Cleveland County Council's scheme, which is the largest in the area, was planned to provide 1,110 training places, with 650 in colleges and work experience projects and 450 with employers.

However, only 81 of the 450 places with employers have been filled. One scheme to provide 100 places on an anti-vandalism project has attracted only three trainees.

A council committee was told on January 13 that the shortfall of trainees had created a £242,000 deficit within the scheme's first 12 weeks. Officials of Nalgo, the local government union have been told that the Department of Employment's Training Agency has agreed to provide the council with an additional £15,000 to help to close the deficit.

In Gateshead, the local authority scheme was recently cut from a planned 650 places a year to 450.

Work experience projects that the authority ran under the Community Programme, which is gradually being phased out, were intended to provide, 270 of the 450 places.

However, only 120 of them have been filled. As a result the authority plans to halve the unit responsible for Employment Training, from 29 people to 14.

Nalgo officials at Newcastle told a recent regional union meeting that its authority's schemes face similar problems.

Flexible pay deal offered to 128,000 civil servants

By John Gapper, Labour Correspondent

A LONG-TERM flexible pay deal for middle and lower grade civil servants was accepted by union leaders yesterday. If this is accepted by the 128,000 staff covered, the pay of most non-industrial civil servants would be included in such deals.

The 7 per cent deal cent allows for local and performance pay variations and there will be extra payments for staff in London. The NUCPS civil servants' union said that increases would range between 6 and 13 per cent in the coming financial year.

The deal follows acceptance of a similar agreement by leaders of the CPSA junior civil servants' union on Wednesday. The CPSA said its deal – worth 7 per cent this year – would mean rises of 19 per cent for some staff over two years.

Both deals are to go out to ballot next month with a recommendation from leaders of both unions. There could be some resistance from left-wingers within the CPSA but it is expected that the deals will be backed.

Leslie Christie: deal is best available

The deals, following similar agreements reached by the IPCS and IRSF specialist civil servants' unions and another for senior civil servants, would mean that 440,000 out of 500,000 non-industrial civil servants would be covered by such deals.

Although the deals have led to relatively high pay rises in the initial stages and include a form of pay comparability with the private sector covering future years, they have been sought by the Treasury because of their flexibility.

Mr Leslie Christie, NUCPS general secretary, said the deal was the "best available chance" of improving members' living standards. He said that a survey of private-sector pay levels next April could "embarrass the Treasury further."

Under the NUCPS deal, middle-grade staff will receive a 4 per cent increase in April and a further 4 per cent on October 1. Those in London will get an extra 4 per cent in June, but some existing pay supplements will be partly consolidated.

The 19,000 lower grade staff covered will receive 4 per cent in April and a further 2 per cent next January. They will not receive extra payments for working in London or high performance.

There were some reservations about the deal from representatives of lower grade staff – formerly members of the Civil Service Union before it merged with the Society of Civil and Public Servants – but these were overcome.

Call to save training board

By Charles Leadbeater, Labour Editor

THE GOVERNMENT'S plan to scrap the statutory industry training boards, which have the power to levy employers to raise finance for training, faces mounting opposition from employers in the construction industry.

The training committee of the Building Employers' Confederation, which represents 9,500 building companies, will next week recommend that the confederation's governing council supports the retention of the Construction Industry Training Board (CITB) and its levy system. The committee will also recommend that the number of employer representatives on the board should be increased.

It is understood that the confederation's National Contractors Group, which represents the 75 largest building contractors, has also said it will support the retention of the statutory levy.

With this support from major employers the CITB is certain to press the government to retain the levy system.

The plan to transform the boards into commercial, self-financing industry-training organisations, was unveiled in the Government's white paper on employment and training published in December.

The white paper said that the Government recognised special considerations might apply to the CITB and the construction section of the Engineering Industry Training Board (EITB), which last week signalled its desire to see the levy retained by raising it from 1.12 per cent of a company's payroll to 1.5 per cent.

In contrast the rest of the EITB is drawing up radical plans which could lay the basis for a self-financing, commercial training body early next year. The board hopes to present ministers with proposals by August which would detail plans to replace the levy from industry with fee and subscription income from services.

Officials stressed that the board's plans were at an early stage and would be modified after consultations with employers.

However, it seems likely that the reconstituted board could have three roles. One division would set training standards, draw up vocational qualifications and act as an examining board, covering both trainees' qualifications and approval of the quality of training programmes.

A second division might concentrate on selling training courses, materials and consultancy services to companies, either for a fee or possibly through an annual subscription.

Both divisions might operate beneath an umbrella provided by the board, which would have responsibility for representing the industry's views on training to Government.

The old board would continue to operate for probably two years.

Shorts sells airliners to US carrier

By Our Belfast Correspondent

SHORT BROTHERS, the state-owned Belfast aircraft and missiles manufacturer, has sold another four SD360 regional airliners to Business Enterprise, the New England carrier, in a deal worth $20m (£11.4m).

The order is another boost for Shorts, which is due to be privatised; and follows the announcement earlier this week that it is to supply a number of its Tucano training aircraft to the Kuwaiti air force.

The Government will soon be assessing the final bids from potential purchasers of Shorts. Kleinwort Benson, the Government's financial adviser for the sale, has extended the deadline for final proposals until next Friday, after approaches from a number of the potential buyers.

The new order from Business Enterprise will bring to eight the number of Short 360s in service with the airline out of a total fleet of 35.

The airline is based at Bradley International Airport, Connecticut.

Combined sales of Short 330s and 360s to the US market total 165 aircraft worth more than $750m since the family of aircraft was first introduced 12 years ago.

Government willing to consider voluntary identity card scheme

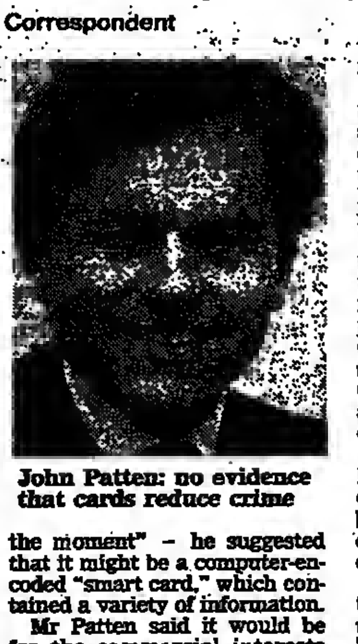
By Ivor Owen, Parliamentary Correspondent

THE GOVERNMENT is prepared to consider a self-financing voluntary scheme of identity cards, Mr John Patten, Home Office Minister, told the Commons yesterday.

The Government opposes compulsory identity cards. A private member's bill, which would have required all UK residents over the age of 12 to obtain a card, failed to secure a second reading when its supporters were unable to carry a closure motion to end the debate. Mr Ralph Howell, Conservative MP for North Norfolk, sponsored the bill.

Mr Patten estimated that it would cost £350m to set up a compulsory scheme, and between £50m and £100m a year to administer it. He was joined by Conservative backbenchers as well as Labour MPs in opposing the bill.

In underlining the Government's readiness to study proposals for a voluntary scheme – only a self-financing one would be of any interest "at the moment" – he suggested that it might be a computer-encoded "smart card" which contained a variety of information.



John Patten: no evidence that cards reduce crime

Mr Patten said it would be for the commercial interests concerned to judge what value a completely voluntary scheme would have in helping to reduce fraud.

Explaining the Government's objections to a compulsory scheme, he said it would carry risks for the police's relationship with the public – however professionally and impartially administered.

Mr Patten disputed suggestions that the bill would be of value when the European Community single market was completed in 1992. He stressed that compulsory schemes were not the "norm" throughout the Community. Nor had he found any evidence that identity cards helped to reduce crime.

Mr Alistair Darling, a Labour spokesman on Home Office affairs, said that the bill's sponsors were mainly concerned with the soaring crime rate.

Their feeling that "something must be done" had led to the bill's introduction, he said, but the idea that identity cards would provide "some kind of aspirin" to deal with the problem was surely misconceived.

Channel Tunnel walk-out may end on Monday

By Michael Smith

ABOUT 500 Channel Tunnel workers will consider a return to work on Monday following their walk-out *this week* in protest over health and safety cover.

The men, who make concrete segments to line the tunnel, began their strike on Thursday after an ambulance took 22 minutes to attend an injured man. They are demanding on-site safety cover.

The man suffered a fractured pelvis when one of the segments fell on him. The accident followed two fatal accidents involving tunnel workers in less than two weeks, although neither death was at the Isle of Grain site where Thursday's walk-out occurred.

Transmanche Link, the consortium building the tunnel, said the walk-out would not delay progress on the project because there were stockpiles of the segments.

Thursday's walk-out is the latest in a series of disputes at the Isle of Grain site. Sources of friction include worker demands for increased bonuses.

PO tackles counter-staff morale

By Michael Smith, Labour Staff

THE POST Office has launched a review of staff communications in its counters division after a survey of workers showed that nearly three out of four non-executives thought that morale was low and there was no incentive to work harder.

It said that a series of measures were already under way to tackle the problem. These included improvements to the working environment, by, for example, redecorating offices, and an increase in part-time staff at times of high pressure.

According to the survey, 72 per cent of non-executives said that morale was low and 58 per cent did not enjoy their job as much as they had before. About 94 per cent thought that the business needed to update its technology and only 46 per cent said that they received all the information they needed to do their job.

The survey was conducted last year before counters' staff begin a series of one-day strikes in protest against the management's plans to convert 250 post offices into sub post offices.

On the positive side, 64 per cent of all staff, including executives and sub postmasters, were happy or very happy with their jobs; 67 per cent had a commitment to providing a good standard of service; and 57 per cent found pay and conditions acceptable.

The Post Office said that it had already introduced measures to improve communications through more face-to-face contact between managers and workers and more videos explaining policies. Wolf Olins, a consultancy company, is studying communications with a view to recommending further improvements.

Later this year, the Post Office is to introduce computer terminals in 250 Thames Valley post offices as a pilot project.

Electricians claim recruitment success

By Charles Leadbeater, Labour Editor

THE EETPU, electricians' union, which was expelled from the TUC last year, yesterday claimed a set of significant successes in recruitment competition with TUC affiliates in the north-west.

The union said that it had beaten the GMB general union in a poll on union membership among foremen employed by British Nuclear Fuels (BNFL) and had signed three sole recognition agreements in the area.

About 140 foremen at BNFL's Springfield plant at Preston, Lancashire have voted to join EESA the white collar section of the electricians' union rather than Matsa, the white collar section of the GMB.

Mr Roy Sanderson, EESA's national secretary said the poll was an indication that the union's expulsion from the TUC had not had a detrimental effect on the union's ability to recruit.

He said that the vote could pave the way for a much more significant EETPU recruitment drive among 600 foremen employed at BNFL's Sellafield plant, where the union is already strongly represented in manual grades.

The union has also signed single-union agreements with three electronics companies in the region.

The agreements, which have yet to be finalised, will cover about 200 workers at Advanced Design Electronics, in Kirby, Liverpool, which manufactures electronic security products; 150 staff at P & W Plastics at Wallasey, which manufactures plastic mouldings, and 250 staff at TDS Circuits, in Blackburn, which makes printed circuit boards.

The EETPU said a majority of the workers at all plants had joined the union.

Rifkind warns SNP over devolution

By James Buxton, Scottish Correspondent

MR MALCOLM RIFKIND, the Scottish Secretary, last night declared that the Scottish National Party was "committing collective hara-kiri" in its recent actions over the campaign for an assembly in Scotland.

The SNP's national executive is expected today to ratify a decision by the party's leadership to pull out of the Scottish constitutional convention, a body which is to draft and promote a scheme for a devolved Scottish assembly.

The party withdrew after a preliminary meeting because it said it was not represented in proportion to its strength and would not be able to use it to push the case for Scottish independence within Europe.

The party's decision has dismayed many SNP supporters and is opposed by some leading figures in the party. An opinion poll taken in Scotland at the time of the decision showed a drop in support for the party from 32 to 28 per cent.

Mr Rifkind said that it was difficult to be sure whether "the unique capacity of the Nationalists to shoot themselves in the foot has brought more pleasure to the Labour Party or the Tories."

Labour, he said, could not believe its luck: "Far better from their point of view that the SNP should be committing collective hara-kiri than that there should be cross-party pressure for constitutional change."

Mr Rifkind said that if Scotland ever wanted to break away from the UK, "that, in the final instance, would be for the people of Scotland to decide."

However, if new constitutional structures within the UK were wanted it was a matter for the people of this country to decide.

Mrs Thatcher, the Prime Minister, last week declared her opposition both to Scottish independence and to devolution.

Bulk Transport reveals plans for Belfast shipyard

By Our Belfast Correspondent

ONE OF the bidders for Harland and Wolff, the state-owned Belfast shipbuilder, publicised its plans for the yard yesterday.

Executives of Bulk Transport, the London-based group, believe the Government will consider that their proposals offer the best hope of saving the loss-making yard. They were in Belfast for a series of meetings with trade union representatives.

Bulk Transport's package includes an immediate order for four oil carriers, which would boost the workforce from 2,800 to 4,000, and a 25 per cent stake in the company for employees.

Work on the oil carriers could start within six months and provide a four-year workload.

The Government is also considering a bid for the company from a management-employee team led by Mr John Parker, the Harland chairman.

Mr Fred Olsen, the Norwegian shipowner, is interested in backing this proposal.

Storage of Hinkley waste 'will be safe'

By David Green

THE GOVERNMENT is confident that the proposed methods of storage for high-level radioactive waste will be safe and acceptable, a Department of the Environment official told the Hinkley Point C nuclear power station inquiry yesterday.

Mr Brian Ponsford, an under-secretary and director of the Inspectorate of Pollution, said a review of the British research programme had highlighted the potential advantages of storing such waste for significant periods.

The waste arises from reprocessing spent fuel to extract unused uranium and plutonium. Objectors at the hearing have suggested there would be less environmental risk if spent fuel was not reprocessed.

Mr Ponsford said the Central Electricity Generating Board had not taken any decision over the timing of reprocessing spent fuel from its proposed series of pressurised water reactor nuclear power stations. However, the Government was confident that the wastes could be stored safely.

With the completion of a plant at Sellafield, Cumbria, highly radioactive liquid wastes would be converted to a glass-like solid and sealed in metal containers, he said. The plant was likely to begin operation in 1990.

Mr Ponsford said such vitrified wastes would be stored for at least 50 years while the temperature and radioactivity subsided. The feasibility and safety of the disposal of such wastes deep underground had been established in principle by research, although geological field work might be useful.

A five-year research programme into the options for placing drums of vitrified waste on or under the sea bed had also been completed. That would enable a decision to be eventually taken on the preferred disposal option.

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Costly water, rotten eggs

THE BRITISH Government would be in trouble this week, if it had an Opposition. For Whitehall is beginning to fumble. It is too early to say whether this is a sign that the sure-footed, self-confident style that was until very recently the hallmark of Mrs Margaret Thatcher's third administration has run its course – or whether the Government has simply entered a period of natural turbulence as mid-term approaches. Either way, the effect on the Conservatives' fortunes is likely to be less severe than it would be if the opposition parties were united, or if morale in the Labour Party was higher.

Privatisation bill

The first piece of government clumsiness to emerge this year lies in the bill to privatise the supply of water. This was always likely to be a difficult and complicated measure, but the Government has made it more so. It failed to foresee the temptation to foreign companies to make pre-emptive bids for the statutory water undertakings. It structured the finances of the privatisation in such a manner that the statutory companies had little option but to raise prices by large amounts, well in advance. It has mishandled the resulting outcry: the Prime Minister has directly contradicted her own colleagues, with the consequence that we do not know for certain whether the Government regards the price increases as justifiable or not.

The entire scheme has now been seen to be highly questionable, since it will create a high-cost monopoly out of what, if privatised at all, should be a low-coupon public utility. The only conceivable reason why the Government will probably not take the sensible step of postponing this privatisation until it can get it right is that to do so might be interpreted as vacillation.

Its handling of the outbreak of salmonella has been equally inept. It is now plain that during the second half of last year the Government was unable to reconcile the interests of egg producers, as represented by the Ministry of Agriculture, with those of consumers, as represented, in theory, by the Department of Health but, in practice, by no department or person in particular.

The precise details of the minutes of meetings between officials, as assiduously leaked by the Labour Party, are of less importance than the clear evidence that civil servants (and presumably ministers) were more anxious to keep out of trouble than they were to provide citizens with information they ought to have. The producer interest won a sensational victory with the resignation of Mrs Edwina Currie, but even today nobody is any the wiser about the extent of the threat of ill-health arising from the eating of infected eggs.

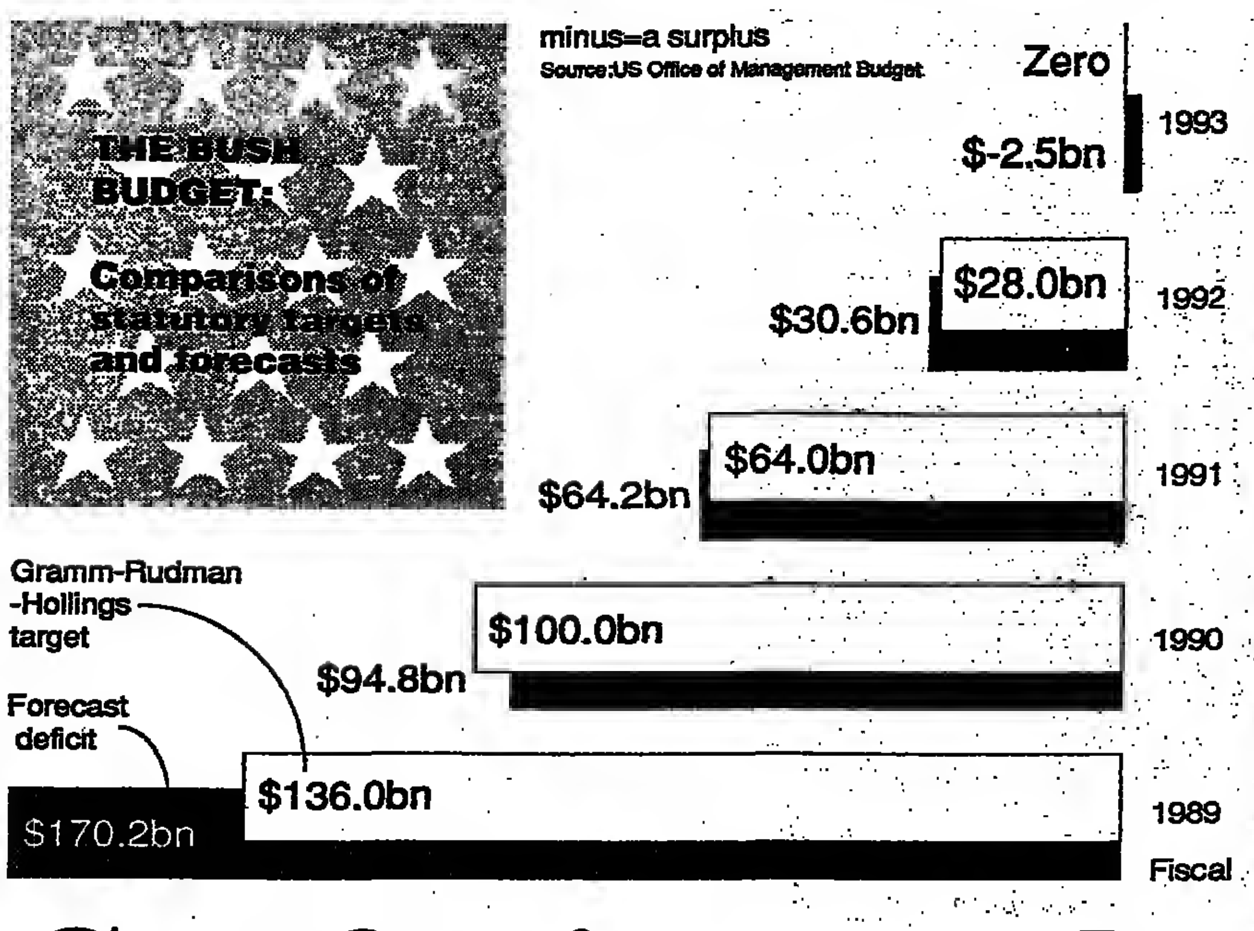
Here again the Government's stance has been almost wholly reactive. It thought that Mrs Currie's political head on a plate would keep the egg producers quiet, especially if it was accompanied by a large handout of taxpayers' money to poultry farmers who could show that they had incurred losses. Then it hoped that Mrs Currie's silence would do the trick; then it banked on her theatrical appearance at a Commons select committee. As all that failed Mrs Thatcher produced a plan to publish a pamphlet which will tell people how to keep their kitchens and their food clean. One has only to remember Lord Wilson in his prime to imagine what a good Opposition might have done with a Prime Minister who sought to cover her own Government's prevarication by blaming the public.

The Government's latest reaction has been to appoint a Whitehall committee of scientists and officials to investigate the entire matter. This will have an external chairman, but it would be a mistake for the Prime Minister to think that the furore will go away unless she insists on the appointment of an independent commission of inquiry whose deliberations will take place in public and whose findings would be published in full. The form of committee announced yesterday suggests that the Government invented it on the run. Its terms of reference remain to be seen. It is not entirely uncharitable to conclude that the Government still hopes to prevent evidence of its shortcomings from reaching the electorate.

Predilection for secrecy

The Opposition will naturally press hard on this, harping, in particular, on the predilection of the Government for secrecy. It might also do well to question further the machinery of government. Whatever the merits or demerits of the producer-driven Ministry of Agriculture, there is no public perception of a clear line of responsibility for consumer protection, as there is with the US Food and Drug Administration. It is not unusual for government departments to act as sponsoring ministries for particular industries, but products that might poison the consumer, or cause ill-health, need special surveillance. Perhaps the Government itself will address this question when it regains its equilibrium.

Peter Riddell looks at the impact of Mr Bush's address to the US Congress



Comforting words, short on detail

For George Bush, President of the US, Thursday evening's address to Congress was an exercise, as he put it, in establishing credibility – with the the financial markets, with the Democrat-controlled Senate and House, and with the American people.

It was the time when after all the fine words and warm feelings, "the new breeze" of his post-election honeymoon, the President had to come up with some substance. He had, in the words of Mr George Mitchell, the new Senate Majority Leader, to match deeds to words. He had to spell out his agenda – what his theme of "a kinder gentler nation" means in practice. He also had to show how he intended to eliminate the federal budget deficit over the next four years, not just by producing numbers which looked correct, but by doing so in ways which would be both economically realistic and acceptable to Congress.

Moreover, he had to demonstrate firm leadership and direction. The first three weeks of his presidency have sometimes appeared accident-prone and incoherent. Several incidents have undermined his proclaimed high ethical tone in government, culminating in the deepening quagmire of Mr John Tower's nomination as Defence Secretary. Mr Kevin Phillips, a prominent conservative political analyst, has even raised the damning possibility of "a Republican re-enactment of Carter administration bumbling."

Taken together, these were important tests for Mr Bush. His address did not pass them. It was again long on intentions – a "feel-good" speech as one critic said yesterday – but short on detail. Intended to set an agenda, the 50-minute speech was encyclopaedic in its scope and set few priorities among competing demands. The initial reaction of the financial markets has been hostile – to them there is little new to convince that the deficit will at last be cut.

The response of Congress has also been sceptical. Democrat leaders have welcomed the President's aspirations, but questioned his economic assumptions. On the Republican side, Mr Bob Dole, the Minority Leader of the Senate, and the President's rival last year, noted with characteristic candour that Mr Bush "has given us the good news. It's going to be hard to achieve."

The budget plans are intended to offer a new beginning – eliminating the automatic upward adjustment of spending plans for inflation and the continuation of current services for ever. Instead of what is officially described as "wonderland budgeting," spending plans are to be related to actual current levels and available resources and deficit targets.

On this basis, the Bush Administration has projected figures which produce a budget surplus by the fiscal year beginning October 1993, in line with the Gramm-Rudman-Hollings (GRH) statutory targets.

There are a number of snags with this procedure, not least that such smooth ways of eliminating the deficit have been stated before and missed. Moreover the GRH process, by definition, is not a tight discipline with punishment for failure. Rather it is based on the administration's forecasts, which have frequently turned out to be too optimistic. Virtue is always next year; indeed the forecast for the deficit in the current fiscal year made in the outgoing Reagan budget a month ago has already been revised up from $161.5bn to $170.2bn.

The Reagan forecasts were widely derided as over-optimistic. The Bush budget contains only minor revisions to remove the more obviously unrealistic short-term interest rate assumptions.

These figures are very important to the success of Mr Bush's plans, since the projection of a falling deficit relies to a considerable extent on forecasts of 3 per cent plus economic growth for the next few years. But Mr Alan Greenspan, chairman of the Federal Reserve, has said these rates cannot be sustained without higher inflation – underlined by yesterday's poor producer price figures. And he has promised the Fed will maintain restrictive policies to curb inflation, in turn cutting back growth and revenue.

In fact, in the short term, the current strong growth means that the budget projection of a $81.5bn rise in revenue in fiscal 1990 without changes in tax rates is more plausible. Hence – subject to revised economic forecasts in midsummer – it may be possible to reduce the deficit without breaching Mr Bush's "read my lips, no new taxes" pledge. This is necessary to preserve the President's political credibility, and, anyway, the Democrats do not want to be saddled with the blame for a tax increase.

The big uncertainty about the budget is whether the proposed plans to hold down spending will stick. While the increases in priority social programmes are quite small in total – in education, less than Mr Reagan proposed – there is little detail about how savings are to be achieved in discretionary domestic programmes. Only an aggregate reduction figure is offered. Defence spending is to be frozen in real terms for one year, though only on condition that savings are allocated to priority initiatives and as part of a comprehensive agreement meeting the GRH targets.

Without such an agreement, if the deficit target cannot be met by the late summer, then procedures to sequester spending – that is, across-the-board cuts – will come into force. That threat strengthens the President's hand with Congress.

Overall, total spending is projected to rise by 11.7 per cent in cash terms over the next five years, having increased by nearly 35 per cent in the past five years. Not surprisingly, Richard Darman, who as Budget Director is the main architect of the plan, has said that it is "an opening gambit" in negotiations with Congress. Given these implausible stringency of these spending projections, a tax increase will be much more difficult to avoid in later years.

Democrats have welcomed Mr Bush's aspirations, but question his economic assumptions and doubt whether the money is available

Mr Leon Panetta, the reflective new chairman of the House Budget Committee, with a key role in the coming talks, said after Mr Bush's speech: "Now the time for illusions is over. The President addressed some of the problems. But many of the tough choices of deficit reduction were put off for another day."

It would be wrong, however, to conclude that the latest budget is just another exercise in wishful thinking. Congressional leaders as well as the Administration accept that action can no longer be deferred. This is not just for financial reasons but because of broader concern over the economic well-being of the US. Key policymakers like Mr Darman, as well as virtually all mainstream economists, now stress the interaction of the budget deficit and low US savings ratio as a cause of inadequate domestic investment and sluggish productivity growth.

A striking common theme of Mr Bush's address and the televised Democratic reply was the emphasis on improving the competitive position of the US. The budget document contains the self-conscious statement that "America is not a nation in decline, America is a rising nation." Mr Bush talked of extending American leadership in technology and increasing long-term investment.

The President outlined what amounted to an industrial policy – though that term will not be used – with more money for basic research and for space, and even the somewhat bizarre idea of appointing Vice President Quayle to chair a new task force on competitiveness. Mr Bush linked the need to raise competitiveness with improvements in US education.

Moreover, tax incentives are to be increased for research and experimentation and the creation of enterprise zones. And, most controversially, a big cut in capital gains tax has been proposed specifically to encourage long-term investment.

Showing a parallel fear on the opposite side of the House, Senator Lloyd Bentsen, the chairman of the Senate Finance Committee, referred in the Democrats' reply to the danger of the US becoming a "second-class economy" behind West Germany and Japan. "Is it inevitable that we lose to Japan or the other Pacific Rim countries. Or a Europe united by 1992? I don't buy that."

It is clear that, to a remarkable extent, the President and Congress share a common agenda. Much of the speech was concerned with social problems – drugs, Aids, the disabled and the environment – in ways which would have been inconceivable under Mr Reagan. Mr Jim Wright, the Speaker of the House of Representatives, joked that "a kinder, gentler America was the old time Democrat religion."

Significantly, however, in his own agenda he added a "fairer America" to the list. The Democrats will fight to preserve social programmes. Mr Dan Rostenkowski, the powerful chairman of the tax-writing House Ways and Means Committee, has said he will strongly resist the capital gains tax cut – not least because of his desire to preserve the 1986 tax reform and simplification which he helped create. He said yesterday it would be seen as a tax cut for the rich and would increase the deficit, rather than raise revenue as the Administration claims.

President Bush has repeatedly stressed his desire for co-operation with Congress to achieve early agreement. "We were not sent here to bicker," he said. The Congressional leaders agree with such sentiments. The voters do not like open dissent, especially given the unpopularity of Congress after it had to back down earlier this week over a proposed 51 per cent pay rise. This has created an elaborate mating-dance with both sides saying they want to agree, but neither making any concessions.

Mr Bush has sought to put the onus of responsibility on Congress. As a warning shot he challenged the legislature to enact his proposals for reorganising the savings and loan industry within 45 days. There has been widespread support for the outline of the plan, so Congress is on notice not to delay.

Similarly, he urged Congress not to interfere too much in the "micro-management" of military policy – in part an indirect reference to the controversy over the nomination of John Tower. Some of the President's closest supporters see the issue not just in terms of the former senator's alleged personal and financial failings but also as a battle with Congress for control of the Pentagon.

The Tower nomination is now increasingly shaky, with continuing inquiries by the Federal Bureau of Investigation and growing doubts expressed by Democrat Senators on the Armed Services Committee which has to confirm him. The issue is unlikely to be resolved for a couple of weeks. A defeat or withdrawal of the nomination would be a considerable setback for Mr Bush; either way the efforts to reorganise procurement policy and to review defence priorities have been delayed and weakened.

Such problems aside, it is clear that the speech on Thursday was only a starting point. Those Democrats who increased their majorities in both Houses last November feel they have as much right as Mr Bush to determine the US's future agenda – and they will. Senator Bentsen, recalling how both he and Mr Bush had been wartime pilots, said the Democrats were "in the co-pilot's seat". There is still a lot of argument to come over the flight plan.

MAN IN THE NEWS

Michael Manley

Moderate path that led from defeat to victory

By Robert Graham

"SOMETIMES you win, sometimes you lose," commented Mr Michael Manley yesterday, acknowledging his resounding victory in Jamaica's general election.

He could afford to be philosophical. By beating his old rival, Mr Edward Seaga, as convincingly now as he lost to him back in 1980, the wheel has turned full circle. During this election campaign the roles of the two men have also been curiously reversed. Mr Manley was the statesman distancing himself from any of the gun-toting thugs who might be in his party; while Mr Seaga appeared the under-dog making veiled threats of violence and hinting at electoral fraud.

After eight years in the wilderness, Mr Manley's return to power for a third term in office is both a remarkable personal achievement and a telling commentary on his own political evolution. From being a firebrand socialist bent on non-alignment and Third World solidarity, he is now, aged 64, preaching the moderate centre ground of social democracy.

His evolution in many ways symbolises how developing countries' leaders have had to trim the socialist ideals so prevalent in the 1960s and 1970s to the laws of the market place. It also represents the new streak of pragmatism in the Socialist International, of which he is vice-president. His re-election has similarities with the return to office of his SI colleague, Carlos Andres Perez, in Venezuela.

Circumstances have probably changed as much as Mr Manley himself. No man could be at ease having left office, with the economy a shambles, after Jamaica's worst year of violence. (In 1980, over 800 people died.) Mr Manley admits quite freely that in the late 1970s he allowed his People's National Party (PNP) to be dominated by a militant hard left minority, which both fomented the climate of violence and frightened the US into thinking revolution was round the corner. He also failed to realise how in these circumstances his close ties with President Fidel Castro in neighbouring Cuba fanned the flames.

At a press conference this week, he indicated that the large Cuban embassy in Kingston, closed down by Mr Seaga when he became Premier in 1980, would be re-opened. "We intend in due course to restore diplomatic relations (with Cuba) but it will be different from last time. There was much misunderstanding in the seventies about the relations with Cuba; and I can see why there were misunderstandings," he said.

During the election campaign his opponents tried every trick to besmirch him: publishing photographs of Manley, hands clapped against his face in dejection, with the word "failure" underneath; resurrecting a red scare over his links with Fidel Castro; and even taking advantage of last year's devastating Hurricane Gilbert to dub him "Hurricane Michael". Using a metaphor from cricket, the game Mr Manley loves, one of his supporters said: "He treated these with the contempt a good batsmen reserves for a bouncer."

But it is not quite as simple as this. Politics is in his blood. His father, Norman Manley, was an Oxford-educated Fabian socialist who formed the PNP in 1938 and went on to become a central figure in the emergence of Jamaica from British colonial rule. (Kingston airport is named after him).

Himself educated at the London School of Economics, Michael Manley represents that part of the Jamaican élite whose cultural roots have been deeply influenced by university education in, and family ties with, Britain. In a small island society, rather than being a barrier, this has given him a head start in politics because he has been so easily identifiable.

His father's Fabianism, profoundly influenced his political thinking. While an intellectual, his gift with words has enabled him to dress up complicated ideas in homely metaphors that instantly appeal to the rural and urban poor. They have been his core support ever since his first election win in 1972. His personal life, which has seen him through four wives, has caused some colourful anecdotes but has never affected his career. Indeed, his image as a man of the people seems to have obliterated popular memory of the mess of his previous administration.

After his 1980 defeat he resigned as party leader and made his return conditional on the removal of the hardline leftists. The party rallied behind him, realising he was its only electoral hope. His decision not to contest elections called early by Mr Seaga in 1983 was probably made, at the time, largely from pique. But in retrospect, it saved him from being subject to public scrutiny at a time when the memory of his previous administration was still fresh.

Since then he has worked assiduously to cultivate the business community and – just as important – to rehabilitate his reputation in Washington. Antagonising the US establishment enough to win its open hostility was one of his cardinal mistakes. In the past five years he has courted Congress, wooed the White House and even won over members of the right-wing Heritage Foundation which was so influential under President Ronald Reagan. Having emerged chastened but not humbled by his years out of office, he now looks forward to acting more in a presidential role. He paces himself carefully after two operations for diverticalitis, a colon ailment. He will leave much administration to his close associate, Mr P.J. Patterson. This is probably just as well since he concedes he is good on ideas but sometimes sloppy on detail.

A cricket history book, which he published last year, was jumped on by West Indies cricket buffs for the errors in the statistics. Mr Manley said this was due to pressure from his publishers. In the next five years he will have to do better in avoiding errors in the face of pressure: pressure from his own citizens to deliver on his campaign promises to devote more to social spending. It may have been this promise, more than anything else, that won him the election. It will now be his greatest post-election headache.

Paul Cheeseright reports on London's Royal Opera House

Chorus of disharmony

London's Royal Opera House has found this week that mixing the roles of cultural institution and property developer requires a degree of political finesse that is probably outside its range.

Newspapers have implicitly accused it of duplicity for pursuing one property development scheme publicly while discussing another in private. It has alienated Westminster City Council. It has made English Heritage – responsible for the care of historic buildings – suspicious about its plans for listed buildings in the capital's Covent Garden area.

All this stems from a shortage of cash. The Royal Opera House operates independently but relies on an Arts Council grant the amount of which has fallen in real terms. It cannot pay its way without subsidy. Its 19th century facilities are wearing out. It has, in fact, declined into genteel poverty.

Knowing that the Government is not prepared to underwrite a renovation programme costing £57m, the Royal Opera House worked up a property scheme which would defray about £34m by building office and retail property on land ceded to it by the Government. That would leave £23m to be found from private patronage.

Outline planning consent was granted by Westminster City Council in June 1987. But environmentalists were worried about the Opera House's plans to demolish listed buildings including the dismantling of the Floral Hall – part of the old Covent Garden fruit and vegetable market. The Covent Garden Community Association peppered the Opera House board with alternative plans, questioned its calculations and harried it unsuccessfully through the courts.

Meanwhile it had become apparent to the Opera House that, given the available space and money, the renovation would still leave the Opera House with second rate facilities compared with the best on the Continent. It would certainly not have enough storage and scenery space.

That meant it was going through a great deal of trouble to secure facilities it knew would be inadequate. So it engaged in a space-juggling exercise – but every square foot extra it took for Opera House facilities meant that the commercial element, and hence the amount of offsetting funds to pay for the renovation, would be less. There has been a sharp rise in property values in the Covent Garden area which has made the commercial side of the operation more valuable. But building costs have also risen rapidly.

The Opera House has also been looking at other ways of paying for the renovations. Two years ago it was approached by a company called Tottingham's of Columbia, Ohio, which advocated that, instead of offices, there should be a theme park reminiscent of the Wild West. That particular notion soon died but over the last 18 months, and especially in the second half of 1988, a series of discussions was held, largely between Drivers Jonas, Tottingham's property advisers, and Healey & Baker, the Royal Opera House's advisers, on a more restrained retail, restaurant and residential alternative to the offices project.

The respective advisers could not agree on whether the retail alternative would generate the same sort of site value as the original offices scheme. So the matter was left until the Opera House had settled what it wanted for its own facilities.

Only then would it be possible to see whether a retail scheme would be an adequate financial replacement for the offices. This week, however, the press disclosure that at one time a theme park had been suggested and that discussions had been kept out of the public view, embarrassed the board so much that Tottingham's and Drivers Jonas were dumped.

The fact that the Opera House had been contemplating property schemes other than the advanced publicly alarmed Westminster City Council and English Heritage. They now take the line that they must have assurances that the published scheme will go ahead before they give the Opera House planning permission and consent to demolish listed buildings. So the Opera House is in the position of having to tie itself to what it knows is inadequate, or of starting all over again.

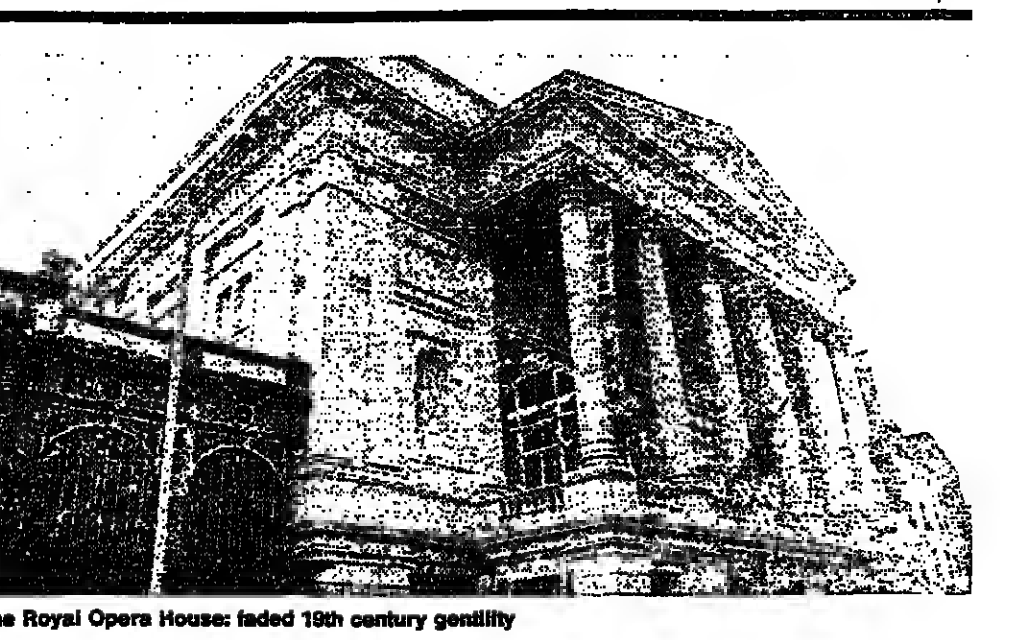
It has chosen the former course. Yesterday Mr Jeremy Isaacs, general director of the Royal Opera House said: "I wish to declare categorically that the Royal Opera House is ready to build the scheme now before Westminster (Council)."

There was, in any case, little choice. The Royal Opera House has never regarded as viable an alternative plan produced by the Covent Garden Community Association and it does not appear to be looking at any other projects.

There is one wild card in the form of an idea for a Performing Arts Centre, promoted by Denis Vaughan, the conductor. This would involve starting with the theatre infrastructure provided by the Royal Opera House and three near-by theatres, the Coliseum, the Lyceum and the Theatre Royal, Drury Lane, and endowing each for a specific performing art. Most significantly from a financial point of view, it is supported by Mr J. Paul Getty, the arts benefactor and it has been suggested that it could be backed by some form of national lottery.

However, Mr Isaacs has made clear that the Royal Opera House cannot wait for redevelopment on the chance that there might one day be funds from a national lottery.

The house closes in 1993 for redevelopment. If the Getty millions – and those of other arts lovers – are to come to the rescue, a decision must be made soon.



The Royal Opera House: faded 19th century gentility

Michael Thompson-Noel reports on rapid changes of ownership among London casinos

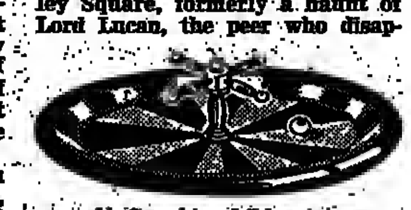
Turmoil on the green baize tables

The customary arrogance of casino operators was typified – brilliantly – by a member of this glittery band who was asked, on American television, if the customers ever won: "When a lamb goes to the slaughter," the man replied, "the lamb might kill the butcher. But I always bet on the butcher." In Britain at present, the butchers are running – if the fevered scramble to offload casinos, especially in London, is any sort of guide.

In London's High Holborn, the men who run the Gaming Board reckon that "within living memory, no-one can remember so much activity – so much selling and buying of casinos – as we have seen just now. There was a burst of activity in the late 1970s, when a number of big operators were forced out of business for breaking the rules, but there has been nothing to compare with the present."

Have the laws of probability been turned on their head? Are casinos, of all things, suddenly a poor bet? Almost certainly not. Yet the turmoil is considerable. In the past 19 months, an extraordinary number of casinos have been sold, resold or reportedly been for sale.

Eight casinos previously owned by Lonrho, including Crockford's, were purchased by thrusting Brent Walker, making Brent Walker the third largest London casino operator. Mr Peter de Savary's LandLeisure bought control of Aspinall's Curzon, the plushest establishment in London; Pleasurama purchased the Carlton Casino in Liverpool, giving it 24 casinos in total, of which five were in London. Mr de Savary then sold LandLeisure and Mecca Leisure bought Pleasurama, giving Mecca a total of 26 casinos, including five in London, among them the Clermont Club in Berkeley Square, formerly a haunt of Lord Lucan, the peer who disappeared after his children's nanny was murdered. Brent Walker is now planning to sell eight of its 12 casinos, including Crockford's, retaining one in London and three outside; and Grand Metropolitan is looking for a buyer for London Clubs, which has six London casinos, five on board Cunard liners and one in Cannes. Out in the provinces, further turmoil is in evidence.



The most commonly-cited factor at work is the dearth of princes, playboys and the very rich. These are usually Arabs but sometimes Hong Kong Chinese, Sindhis, Punjabis, West African Indians, or chieftains from Nigeria, who used to circle the globe, hungry for kicks, and whose ability to gamble away £500,000 or £1m without really twitching used to translate into enormous profits for London casinos.

But the playboys have gone to ground. The younger Arab generation is said to have different cultural values to those of the green baize sheiks. And the oil price is low. "If you wanted a single explanation for the disappearance of the big spenders," says one authority, "you wouldn't look further than the price of oil. When that recovers, the sheiks will hit town again."

Inevitably, other factors are at work. First, the shuffling of casinos is not happening in isolation, but is only a facet of a swapping of assets which is being witnessed throughout the leisure businesses. For example, when GrandMet completed the sale of its Inter-Continental hotel chain last November for £1.35bn, it hinted that its casinos might be for sale because they did not fit its ambition of becoming a world leader in food, drink and retailing. True, GrandMet subsequently clinched the purchase of Pillsbury, the US food and restaurant chain, for $5.75bn, but it also paid £331m cash for the William Hill betting shop chain which it plans to fold into its own Mecca Bookmakers.

Second, there has been a big increase in casino facilities worldwide, particularly in the US, the Middle East, the Mediterranean and Australia. As a result, London and its casinos are no longer the perfumed lure they used to seem.

Third, UK casinos are in any case a mature – some might think torpid – market: tightly controlled, strictly policed and with no scope, thanks to the 1968 Gaming Act, for marketing or elbowing their way out of their current stasis. This is in complete contrast to the UK betting shop business, where the arrival of satellite-fed commentaries and live TV broadcasts of races (completely unthinkable 10 years ago) are galvanising turnover and boosting profits.

There used to be a time when UK casino turnover bounded ahead, just like that of general betting. But in 1986, the total "drop" (*money exchanged for chips*) in UK casinos actually fell by 1 per cent, to £1.61bn. Since then it has grown sluggishly, to about £1.73bn. All told, there were 128 casinos in 1980. Now there are 113, plus five which are licensed but not operating. Two-thirds of the drop is accounted for by London, a smaller proportion than in London's heyday.

What is worrying some operators is the behaviour of the gross gaming yield (GGY), the casinos' revenue figure. According to the British Casino Association (BCA), in 1983 the GGY from London's 20 casinos was £196m, an increase of 28 per cent over the preceding year. In 1987, it was £240m, an increase of only 22.4 per cent over the whole of the intervening four years. In the year to last March, the GGY fell against the preceding year by 3.2 per cent – the first fall in the London GGY since the 1968 Act came into force.

The most recent figures, says the association, show a worsening rate of decline in London's gross gaming yield – a fall of 7.7 per cent, to £226m, in the 12 months to last September 30. While turnover has been stumbling, costs have naturally risen. "Labour costs are very high," says the BCA. "Foreign casinos often poach staff from London and the provinces. Amenities have got to be the best, because of the legal restrictions on the way casinos may behave." Such restrictions include: no live entertainment, no tipping, no advertising, a 48-hour delay on the granting of memberships, annual renewal of licences.

This rigorous control system may sound eccentrically British and nannyish. But it has kept the international crime mobs at bay and is the reason why UK casinos are reckoned to be cleanly-run. The major difference between UK and foreign casinos is that the latter are invariably viewed as tax-raisers for governments; in Britain they are not.

British casinos are merely intended to cater to whatever underlying (that is, unstimulated) demand for gaming exists. Indeed, the casino association says that in 1987-88, the revenue raised by UK gaming licence duty actually fell by £15.5m (27 per cent).

At present, UK casinos are in a dowdy and down-beat phase. But the glamour days are likely to return, especially when the oil price moves back towards $30 – which may take some time. Even though their "prices", the edge they enjoy on every spin of the wheel or flick of the card, are fixed under the 1968 Act, the odds are still stacked on the side of the casino owners.

Which doesn't stop the punters – the lambs – searching for ways to break the bank. Some time ago, in the US a group of talented enthusiasts developed a mini-computer to help them win at roulette. Their program utilised a set of equations similar to those used by the National Aeronautics and Space Administration for landing spaceships on the moon.

The system worked perfectly in the lab, but when the team hit Las Vegas its operators suffered horrible problems with random noise, probably emanating from the "eye in the sky", the electronic surveillance system used by casinos to monitor action on the casino floor. The experiment came to nought. The butcher had chopped the lambs' heads off.

LETTERS

No need to muddy the water

From the Chairman, Thames Water Authority.

Sir, The basic argument for privatisation of water remains the same. The private sector is more efficient than the public sector. It is about style, about culture, about managerial freedom, about clarity, about accountability.

A Thames Water public limited company (plc) will not only free present managers, but attract others. And the beneficiaries will be the customers, employees, owners. Anyone who works both in the public and the private sector, as I do, has no doubts.

Do not confuse new environmental standards with privatisation.

If customers rightly want improvements – at what, in some instances, may be high cost for marginal change – such improvements will clearly have to be made. But the customers will recognise that such improvements will have to be paid for whether they take place in the public or the private sector.

There are no taxpayer grants to water authorities in the public sector. Income is wholly from the customer, as it will be after privatisation. The question simply is:

What is the best structure to provide today's services and tomorrow's standards most efficiently at the lowest price and most accountably?

Do not confuse privatisation with monopoly.

In any monopoly – private or public – the customer needs protection. It is an error to presume that the customer is better protected today than he will be in the private sector. Public accountability in the public sector is a myth. The new regulatory controls imposed on Thames Water plc will give greater protection to customers and environmentalists than they enjoy today.

Privatisation, in some instances, has opened up old arguments and exposed old interests. They should not be allowed to muddy the water.

Privatisation is a step forward. In the years to come it will be recognised as such.

Roy Watts,
Thames Water,
14 Cavendish Place, W1

'Dear Barry Riley'

From Mr Hugh Scurfield.

Sir, Barry Riley got one thing right in his open letter to David Walker, chairman of the Securities and Investments Board, on life assurance disclosure (Weekend FT, February 4). Without a strong independent intermediary market, the value for money to the consumer would deteriorate.

The life insurance industry is blamed for changes which, at the very least, are not helpful to consumers but which are being forced upon them. The consumer will find it harder to find independent advice. He/she will receive an increasing amount of paper and detailed information – most of which will be of only marginal interest and value. So costs are increasing, and service deteriorates. Initial commissions are increasing (thanks to the Office of Fair Trading ruling that industry-agreed maximum scales were uncompetitive) so the consumer pays more.

Blame for these changes should be placed squarely upon those responsible, not upon the life insurance industry.

The consumer can ask about the future prospects of each company. A good independent financial adviser will then tell the consumer that the company with the best future investment performance prospects will pay out most. Other factors are comparatively incidental. A 10 per cent "saving" in Norwich Union's commission and expenses would, over 25 years, lift the payout by just 1 per cent; a 1 per cent improvement in the annual investment return would lift the payout by 12 per cent.

There is a big difference in the payouts of the life companies. On a 25-year endowment maturing last year, the average payout from the top half of the companies was as much as 70 per cent better than the average of the bottom half.

This investment is the one variable which, unlike expenses and commissions, makes a big enough difference to move a company significantly up or down the performance table. This is why the actuarial profession believes that more information on investment could usefully be made available by life companies.

Life companies have a record to be proud of. The return on a 10-year policy maturing this year is as high as 17 per cent – with commission expenses and death cover thrown in.

Hugh Scurfield,
Norwich Union Insurance,
Norwich, Norfolk.

'Official statistics indicate an unprecedented squeeze on NHS resources since 1981'

From Mr John Wells.

Sir, Mr David Mellor, the UK Minister of State for Health, in responding to a question on BBC Radio 4's "Any Questions?" (February 3) on the National Health Service white paper, stated that "in the last 10 years, there has been an unprecedented expansion in all parts of the Health Service."

In saying this, Mr Mellor was of course referring to the rate of increase of NHS resource provision since 1979, and not just its level. And while it was a rather bold and somewhat unqualified statement, similar claims have been made on many other occasions by senior members of the Government, including the Prime Minister.

But if measured by the official statistical series on real, inflation adjusted NHS expenditure on current goods and services*, Mr Mellor's statement is far from the truth.

Using the data series given in my note, the annual rate of growth of real, inflation-adjusted NHS current expenditure has been lower, taking the three Thatcher governments as a whole, than under any previous administration since 1954 – as the table shows.

Indeed, following a period of a decade and a half – since the mid-1960s – during which real NHS expenditure (as defined below) underwent a more-or-less continuous rise as a proportion of real national disposable income (Blue Books series GIGS), that ratio has actually declined since 1981 to a noticeable degree; the first such sustained decline since 1954.

Moreover, such a decline is not simply confined to real NHS expenditure on current goods and services.

If we add in the data on NHS fixed investment – which is no more than a fraction (1/20th) of current expenditure (but for which the series unfortunately only goes back as far as 1977 – Blue Book series GTCV at current £m, deflated by implicit deflator for general government GDFCF, Blue Book series AAAC/GTEL), we find that the sum of NHS current expenditure plus capital expenditure at constant 1985 £m has also declined, since 1981, as a proportion of real national disposable income.

All in all – and contrary to Mr Mellor's claim – the official statistics seem to indicate that the NHS has experienced an unprecedented squeeze on resources since 1979. Indeed, the data confirm that the dilemma referred to in your editorial (February 1), of a Government which wishes to cut public spending as a proportion of gross national product – although demand for health care is certain to rise faster than incomes – has already been with us for a number of years.

Perhaps it really is the case that there is not a great deal wrong with the NHS that a little bit of extra money could not put right.

John Wells,
Faculty of Economics and Politics,
University of Cambridge

**Statistical note:*
The series can be constructed as follows:
For 1963-87, current expenditure on NHS goods and services at 1985 constant £m, as given in Blue Book series GTEI, in which NHS spending at current £m is deflated by a wage and price index specific to the NHS; extrapolated to 1954-63, using the series on NHS expenditure at current £m (Blue Book series ACHE), deflated using the implicit deflator for general government final consumption (Blue Book series GIEG); updated to 1988 using data at current £m from last weeks's Government Expenditure Plans, 1989-90 to 1991-92 Health (command paper 14), deflated using estimated Government expenditure deflator for 1988, computed from Economic Trends, December 1988. The series nets out, in line with national accounting convention, NHS charges paid by consumers – for example, prescription charges, which are treated as negative expenditure.

Year	NHS expenditure on current goods and services at 1985 £m *	Government	% p.a.growth rate of real NHS spending
1959	7,678	Eden-Macmillan	2.3
1964	8,874	Macmillan	2.9
1970	11,179	Wilson	3.9
1974	13,460	Heath	4.8
1979	16,070	Wilson-Callaghan	3.6
1988	18,549	Thatcher	1.6

* adjusted for inflation

UK COMPANY NEWS

Alphameric shares plunge 30% after profit warning

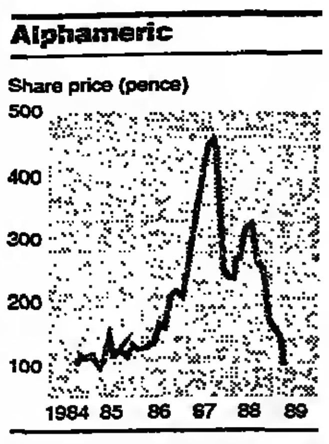
By Vanessa Houlder

SHARES IN Alphameric yesterday lost 30 per cent of their value, when the information systems and computer products manufacturer warned that its profits might be wiped out this year.

A lack of demand for financial dealing systems, combined with a dearth of orders from retail customers for its data broadcast systems were to blame. "We were looking for the retail sector to compensate for the financial sector. Now it has its own problems," said Mr Douglas Craig-Wood, chairman.

Following a disappointing Christmas, retailers were reluctant to commit themselves to new technology, said Alphameric. Furthermore, an order from the Halifax Building Society, announced last April, would not now benefit the current year.

In addition, £3m of revenues had slipped out of the second half as a result of the postponement of orders from the financial sector in New York and London. Revenues from Topic terminals and dealing room products would fall from £7m to £1m this year. It had sold



no Topic terminals since last May.

The announcement follows a series of disappointing results from Alphameric. In November 1987, it announced that interim pre-tax profits had halved, which contributed to the share price's fall from 443p to 280p between September and November 1987.

The company had a strong second half in 1987-1988, making £4.64m (£3.97m) for the year, but it again produced a disappointing interim result last November. The shares lost a quarter of their value - falling to 183p - after the company announced that its interim profits had halved to £514,000.

Mr Craig-Wood said that the company's fortunes were uncertain in so far as they were still heavily dependent on financial markets. "However we would hope to have a quite strong recovery this year," he said.

He said that the company did not regret buying CP, a financial systems supplier last October, as it broadened the company's geographical base and expanded its interests into foreign exchange, bonds and small dealing rooms. CP is not expected to make any material difference to the current year's results.

Mr Craig-Wood said that the company had shed 105 staff out of its workforce of about 500 in the last year. It had closed three units since November and saw more scope for lowering costs through the integration of CP with the rest of the business.

The share price fell from 145p to 102p

Charterhall lifts stake in Goldberg to 29.9%

By Ray Bashford

CHARTERHALL, the investment company headed by Australian businessman Mr Russell Goward, has further strengthened its hold on the capital of A Goldberg & Sons by increasing its stake in the Glasgow-based retailer to 29.9 per cent.

The holding has crept steadily forward since August 1987 and buying since last November has boosted it from 25.3 per cent.

Goldberg has become the centre of intense takeover speculation as Charterhall has continued to buy. Under takeover rules it will be unable to increase the holding above 30 per cent without triggering a bid.

The stock market reacted by boosting Goldberg's share price 11p to 191p.

Mr Goward is due to arrive in London next week from the US in preparation for the release of its interim results.

Mr Mark Goldberg, the chairman of Goldberg, said he did not know what Charterhall's intentions were with the stake.

"We have lived with Charterhall for some time and we have ceased to worry," he said. "Our job is to get on and run the company which we are doing."

The companies have had no direct contact since last November and Mr Goldberg said that there was no plan for a meeting while Mr Goward was in London.

Charterhall, transformed from an oil exploration company by Mr Goward, has built up strategic stakes in several public companies, including Bridport-Gundry which late month was challenged by Charterhall representatives at a hostile annual meeting.

Charterhall has built up a chain of footwear retailers and last December signalled its intention to expand into the textiles business with the acquisition of Corah, a Marks and Spencer supplier, for £27.2m

Summer resignations

Douglas Le Mare and Sheppards & Chase, joint stockbrokers to Summer International, the training and education concern, have resigned. The group has appointed Parrish as its new broker.

Hoping for a win on the pools

Ray Bashford on Cyril Stein's ambitious plans for Vernons

AS ABOUT 11m people sit down tonight to check their football pools coupons, few will be aware of the pressures for change in the business that are building in the wake of Ladbroke Group's victory in the two-month struggle for Thomson T-Line.

The Vernons football pools business, which is the jewel in Thomson T-Line's small industrial company empire, was at the centre of the £185.7m takeover battle and the company's image and operations are set to take a far more aggressive shape under the stewardship of Mr Cyril Stein, Ladbroke's chairman and managing director.

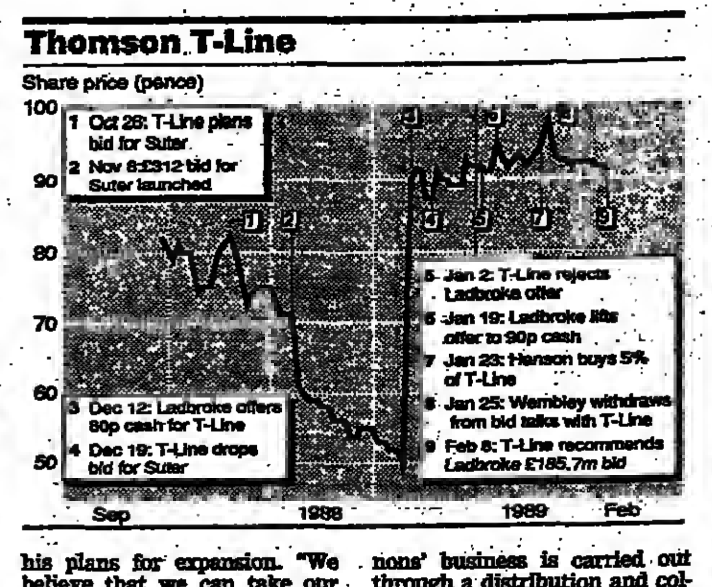
During the 14 years since Mr Stein first led his then fledgling Ladbroke group into discussions about the acquisition of Vernons from the Sangster family he has had ample time to contrive plans for an integration of the business into his betting, hotel and property company.

The decision last Wednesday of the Thomson T-Line board to capitulate and recommend acceptance of the 90p cash a share offer has given Mr Stein the go-ahead to enact these plans.

"The first thing we will do is make someone from our business in charge of Vernons and then we will work on a strategic plan for next season," Mr Stein said.

With 20 per cent of the £650m-a-year market, Vernons is perfectly placed to shake up the cloistered pools business which has only two other participants: Littlewoods, one of Britain's biggest private companies with 78 per cent, and publicly quoted Zetters Group, with the remaining 2 per cent.

Mr Stein makes no secret of



his plans for expansion. "We believe that we can take our share of the market back up to where it was 10 years ago - between 28 and 29 per cent," he said.

Mr Hugo Biermann, joint chairman of Thomson T-Line, which bought Vernons a year ago from the Sangster family for £90m, believes this market share objective is within reach. "If we had held on to Vernons, we were confident of taking our share up to 30 per cent during the next five years," he said.

The first big move will be to win approval from the Government for pools coupons to be sold in the Ladbroke chain of betting shops. With the Government disposed towards liberalisation of drinking and gambling laws, approval of this change appears likely.

By giving the business greater visibility in the vicinity of betting shops, the potential to boost turnover is obvious.

At present the bulk of Vernons' business is carried out through a distribution and collection network operated by 36,000 employees. Littlewoods has 70,000 collectors on its books.

This network will initially remain in place. However, if approval is won for the entry of pools into betting shops it is possible that any resultant overlap could be trimmed.

The image of the football pools business is another problem which Ladbroke will have to wrestle with. The market profile has not changed in the past 20 years while immense change has taken place in most alternative forms of gambling.

The cloth cap image of players of the pools has, according to several analysts, inhibited interest in football pools among the younger, more affluent people.

The areas of most participation are a band going east from Liverpool across the Midlands; in concentrated areas of London and around Glasgow and Edinburgh. These demographics leave higher income areas, particularly in the south-east, outside the reach of the business.

A possible way of breaking into these areas is to encourage greater simplicity by making it more a numbers game and less pegged to knowledge of football "form." At present 33 per cent of all Vernons players enter standing orders months in advance, implying that little thought is given by these people to the finer points of football.

The Vernons coupon has not changed in appearance or basic content in 20 years and its apparent complexity is seen as a deterrent to people having a spontaneous punt.

Another means of updating its image could be to alter the method for paying prize money which would also need Government approval. At present the pool has to be cleared each week but if a US system was introduced, which includes an accumulator effect, the size of the big payout would increase immensely.

The public interest in a swelling pot, such as occurred recently in the US where it grew to over over $50m, could generate greater awareness and enthusiasm for participation.

There could also be examination of the potential of coupons which enter millions of houses every week as avenues for advertising other products and services.

While Ladbroke seeks to win government approval for some or all of these changes Littlewoods will have the time to counter. But, there is little doubt that the decision by the Thomson T-Line board to signal defeat left the way open for an irresistible force for change in a great national pastime.

CHI suspension order lifted

By Nikki Tait

A COURT order freezing the 6.3 per cent interest held by CH Industrials in Ricardo, the Sussex-based designer of engines and transmissions, was lifted yesterday afternoon. This follows a three-day hearing in the High Court.

Ricardo is subject to a hostile £21m all-paper bid from First Technology, the car sensors and safety group, and CHI has given an irrevocable undertaking to accept the offer.

The release of the freezing order against CHI does not mean that it regains full control over its interest. Of the total 918,000 shares owned by the acquisitive chemicals and engineering group, 371,500 were registered in the name of Jocar Nominees, an Alexanders Laing and Cruickshank nominee account in Jersey. These shares are still subject to a court order, which freezes the total Jocar holding of 472,000 Ricardo shares.

A separate court order freezing 270,000 shares held by IA&N Nominees, also remains in force. The fate of the freezing orders on these holdings will resurface on Monday, when the "inter parte" hearing comes up in the High Court.

Freezing orders were imposed on the various stakes following unsatisfactory responses to Section 212 notices sent out by Ricardo, trying to establish beneficial ownership of certain shares. In court, CHI conceded that its reply to the 212 notice had been inaccurate, but said this was the result of "honest error". It also stated that it had since sent a correct reply.

The most significant inaccuracy occured when CHI said its interest was split between CHI itself, Oceanic Commercial Holdings, and Steadfast Holdings. In fact, part of the Steadfast holding - 371,500 shares - was registered in the name of Jocar Nominees.

Ricardo, however, went further and argued that the irrevocable undertakings given by CHI to First Technology made it party to an agreement under section 204 of the Companies Act - essentially a "concert party" arrangement - and that this had still not been disclosed. This argument was not accepted by Mr Justic Millett, despite what he described as "heroic attempts" of Ricardo's counsel to prove the case. Costs were awarded to CHI.

In the course of the hearing, Ricardo also stated that it believed that a wider 204 agreement - beyond the irrevocables - existed.

Local London to freeze Marina acceptances

A TEMPORARY High Court injunction obtained by the Marina Development Group on Wednesday aimed at blocking the unwelcome £77.7m takeover bid by Local London, the business centre and property group, was replaced today by agreed undertakings.

The undertakings, given by Local London and two of its directors Robert and Graham Bourne, will remain in effect until a further court hearing next Wednesday.

Local London gave undertakings not to lodge any transfers for registration or declare its offer unconditional pending next week's hearing. Local London and the Bournes, cofounders of the company, also undertook not to solicit any further acceptances from Marina shareholders.

Mr Robin Potts QC, for Local London, told Mr Justice Harman that the group already had more than 47 per cent of the offer and the bid was now "teetering on the brink of being declared unconditional."

He said Marina's blocking action was yet another attempt to resort to the courts in the face of a bid which was "unliked" by the target company's board.

Mr Anthony Grabiner QC, for Marina Development, said the gravamen of its allegation was that the Bournes had used confidential information about a planned revaluation of Marina's assets as an opportunity to "snap up the company at a very cheap price."

Bid talks continue at Scholes

The directors of George H Scholes, the electrical products manufacturer, said yesterday that talks were continuing which might lead to a takeover offer.

Last November the company was reported to be in discussions with several groups, including Hanson and Asea Brown Boveri.

The announcement that talks were continuing was made in reply to a request from the Takeover Panel.

IBC buy-in tender offer oversubscribed

By Clay Harris

THE UNPRECEDENTED tender offer by International Business Communications (Holdings) to buy in up to 40 per cent of its shares at a fixed price has been oversubscribed. More than 50 per cent of IBC shares are believed to have been tendered.

As a result, some shareholders who offered to sell more than 40 per cent of their holdings will have their applications scaled down.

The newsletter publisher and conferences organiser launched the on-market tender offer last month, in an effort to enhance earnings per share through substituting debt for equity.

The exercise, co-ordinated by stockbroker UBS Phillips & Drew, is being watched by other companies who may be considering similar tenders.

Some institutions tendered all their shares, some a portion and some none.

Any IBC shareholders who tendered 40 per cent or less of their holdings will be satisfied in full.

Some who offered more than that percentage may also succeed in full, depending on distribution of the applications.

Details will be announced after an extraordinary general meeting on Monday. IBC had offered to buy in shares at 150p.

Its shares were suspended at 143p yesterday, pending Monday's announcement.

IBC, meanwhile, has agreed to pay two small shareholders in Barham Group, a publishing and advertising company it bought shortly before the October 1987 crash, better terms for their shares than were officially still on the table.

The two shareholders, owning a total of 13,000 Barham shares between them, received 226.25p in cash for each share under a private settlement agreed this week.

This was less than the 250p cash offer which IBC closed on October 2 1987 and refused to re-open despite Section 430A of the Companies Act, which allows the holders of the last 10 per cent of a target company to choose between any terms offered at any time during a bid.

But the terms offered to clients of stockbroker Mr Peter Land compares favourably with the 205.7p value, at yesterday's price, of IBC's cash-and-shares offer which was finally closed only on Thursday.

Mr Land, who is moving next week from Parrish Investment Management to Henderson Crosthwaits, yesterday described the settlement as a "reasonable compromise."

In calculating the payment to Mr Land's clients, IBC, in effect, split the difference between its current share price and the pre-crash price of 185p and agreed to pay the entire amount in cash.

Last month, IBC reached a confidential settlement, believed to be on similar terms, with County NatWest Securities over a considerably larger holding of Barham ordinary and preference shares.

Unilever buys sweet smell of success from Fabergé

By Roderick Oram in New York

SEX NO longer guarantees safe conduct for shoppers entering Bloomingdale's flagship store in Manhattan. So intense are the fragrance wars, men too must now run the gauntlet of beautiful perfume pushers. Spraying anything that moves, they take every withering male stare as an invitation to show that "a little dab'll do you", to borrow an old line for hair cream.

Competition is growing ever stiffer in the highly fragmented market, making golden brand names, marketing skill and big promotional budgets crucial to success. With these trends in mind, Unilever agreed yesterday to pay $1.55bn (£875m) for Fabergé's fragrances, toiletries and cosmetics.

Wall Street analysts, who can catch the whiff of a good deal at 50 paces, liked the logic of the Anglo-Dutch company's purchase from Mr Meshulam Riklis, a New York investor. Elizabeth Arden cosmetics and fragrances such as Chloé and Lagerfeld will bolster Unilever at the high class end of the market. Fabergé brands will help downmarket, particularly at Chesebrough-Pond's, the US personal care company Unilever bought in 1986 for $3.1bn.

The deal also looked favourable to Mr Riklis, offering him a price of about 23 times Fabergé's net earnings, analysts calculated - a rate in line with other recent purchases in the industry.

Mr Riklis had added Fabergé to his financial empire in 1984, taking it upmarket in 1987 with his acquisition of Elizabeth Arden from Eli Lilly, the US pharmaceutical group. He was reported to have paid the then high price of $700m for the Arden line on the grounds it was the last great name likely to go on the block.

"It's an outstanding buy for Unilever particularly with the pound/dollar exchange rate," said Mr Steve Manenti, who resigned as Fabergé's president in 1986 to head Eclipse Laboratories, a Florida-based maker of sunscreens and skin creams.

Unilever-sized clout is counting more and more in the market, he added. "With so many launches consumers are getting confused about which products they should buy."

No less than 35 new fragrances have been launched so far this year, up from 58 in all of last year and 61 in 1987, according to the Fragrance Foundation in New York. The rate is running at roughly two-to-one for women's versus men's fragrances.

The products cost very little to make but a lot to market, said Ms Lynne Hyman, an analyst with Prudential-Bache Securities. Typically manufacturing costs are only 5 per cent of the retail price.

Heavy promotion reaps big rewards, though, as Unilever knows first hand with its launch of Elizabeth Taylor's Passion in 1987. It racked up first-year sales of some $30m, putting it among the top 10 perfumes.

One of the greatest marketing successes of this decade has been Calvin Klein's Obsession, a perfume in men's and women's versions that has taken a big chunk of the high end of the market at $175 an ounce. Launched in 1985, it is now considered mature, yet maintains sales of about $65m a year taking an advertising budget of $20m.

With the women's fragrance market in the US showing next-to-no growth at around $3bn a year, manufacturers are turning more effort to the highly undeveloped men's market. Ms Hyman estimates it is worth some $800m a year and in volume terms is growing at "a high single digit rate".

There are high cultural and sociological hurdles to clear in a land where real men don't dab. The men who do are moving upmarket fast from musky aftershaves into very expensive products like Obsession For Men which is promoted by some of the most erotic advertisements found in mainstream American magazines. Into this market, the Unilever men of London and Rotterdam have thrown their lot.

Severance payments contribute to sharp fall at MSC to £0.5m

By Fiona Thompson

THE LOSS of a major sludge contract, severance payments, and a cut in income from its biggest customer resulted in Manchester Ship Canal Company yesterday reporting a sharp fall in profits for the year to December 31 1988.

The pre-tax figure dropped from £1.37m to £486,000 on turnover down to £22.35m (£23.42m). After a £650,000 (£541,000) tax charge, the company reported an after-tax loss of £164,000, producing a 4.3p loss per share, compared with earnings of 21.7p in 1987. No dividend has been paid.

Severance pay for 160 people all involved in port operations as dredgers, tug operators or lockgate men amounted to £3.8m, the bulk of the £4.54m exceptional debit.

"We had to cut overheads because of a reduction in our business," said Mr Robert Hough, chairman, "and we are not at the end yet."

The net income from Shell, which has a big refinery on the banks of the canal and is the company's biggest customer, was reduced by £1m to £4.5m, and "is expected to be reduced by a further £1.5m in 1989", said Mr Hough.

In addition, until 1987 the company had a £1m contract from North West Water Authority for the removal of sludge, but the authority has now built a pipeline.

A revaluation of the company's property assets at July 1988 raised the value of the assets from £41m to £67m. At the time of the revaluation, the Dumplington site, 5 miles from Manchester, was valued at £10m. In the event of receiving planning permission for an out-of-town shopping centre scheme, the site is expected to have a value of about £50m.

Since Tuesday the company has been at the centre of a public inquiry into proposed changes to its board structure, forced by a substantial grouping of minority shareholders, led by Mr Nicholas Berry, chairman of Harrap, the publisher.

Mr Berry was chairman of Manchester Ship Canal during the final stages of its unsuccessful attempt to resist a takeover by a company then owned by Mr John Whittaker, the Manchester property developer and chairman of Peel Holdings.

Mr Whittaker's privately-owned Great Hey Investments is now the canal's largest shareholder but Manchester City Council has a statutory right to a boardroom majority of one.

Martin Regan adds: at the inquiry in Manchester yesterday, Mr David Ardy, chairman of Globe Investment Trust, said that he had little confidence in the present management of Manchester Ship Canal, both because of the company's refusal to pay a dividend and its attitude towards its smaller shareholders.

Globe, with a 5 per cent stake, is part of the minority group which forced the inquiry.

Mr Ardy said he believed the company's application for a harbour revision order and the subsequent removal of Manchester City Council's right to appoint a majority to the board was against the interests of small shareholders. The council's presence was important for a statutory company which did not have the normal shareholder protection afforded by the Companies Act, he said.

Cross-examining, Mr Leolin Price, QC, for the Manchester Ship Canal, asked if in the light of the cost of husbanding property assets in preparation for future development, it was not prudent for the company to save the £700,000 it would cost to declare a dividend. Mr Ardy replied that it was not.

Southern Water raises stakes

By Andrew Hill

ASSOCIATED Insurance Pension Fund, the investment vehicle of Sydney-based businessman Mr Duncan Saville, has sold part of its UK water company portfolio to Southern Water Authority.

Southern could now put pressure on three statutory water companies in its area, by blocking their conversion to public limited company status, without Mr Saville's assistance. That would hinder the plans of two French water suppliers, which own the companies.

The move leaves Southern, which has a co-operation agreement with AIPF, with a little more than 25 per cent of the voting capital in Folkestone and District, West Kent and Mid-Sussex water companies.

AIPF's intentions are unknown, but the deal means Mr Saville is free to sell his remaining water company stock without jeopardising Southern's attempts to retain a hold over the companies.

Last month, Southern and AIPF attempted unsuccessfully to thwart recommended French offers for two companies in the area with counter-bids.

Separately, the Water Authorities Superannuation Fund has increased its stake in Mid Kent Water Company from 7 per cent to about 10 per cent of the voting capital.

WASF, one of Britain's largest pension funds, is thought to be the beneficial owner of stakes held by Bank of Scotland Nominees in a number of private water companies.

The nominee company recently raised its stake in South Staffordshire Water Company from 3.2 per cent to 3.6 per cent, and last week it emerged that a little more than 10 per cent of Colne Valley Water Company was held by Bank of Scotland Nominees.

- Biwater, the private UK water contractor bidding for West Hampshire Water Company, has extended the offer until February 23. About 35.1 per cent of the voting capital has been committed to the £8.4m agreed offer, the only bid in the sector yet to go unconditional.

ML Labs calls for further £5m

By Nigel Clark

ML LABORATORIES is raising £5.1m by a 1-for-11 rights issue to help fund production of its glucose polymer product for use in the treatment of kidney failure. The news followed the announcement of further successful trials.

ML intends manufacturing the product itself and has leased premises in Liverpool. The first output will be used in further tests required to obtain a clinical trials exemption certificate followed by further trials before applying for a product licence. First commercial production is targeted for the end of 1990.

The issue is priced at 250p against a closing price yesterday of 418p, up 7p on the day. The company's shares are traded on the Third Market.

Milner Laboratories, which holds 86.19 per cent, will not be taking up its entitlement cutting its stake to 79 per cent. Hoare Govett, ML's sponsor, and Allied Provincial, joint broker, has placed the shares with 10 institutions.

The company also announced figures for the 14 months to the end of September 1988. Net investment income was £127,826 for a taxable loss of £41,395.

MARKET STATISTICS

Economic Diary

TOMORROW: Young Conservatives annual conference, Southport. Mr James Baker, US Secretary of State, visits Bonn, West Germany. North London Business and Industry Exhibition opens, Picketts Lock (until February 16).

MONDAY: Confederation of British Industry/Financial Times survey of distributive trades for January. January provisional figures for retail sales. January provisional producer price index numbers. Mr Roy Hattersley, Labour Party deputy leader, speaks at Northallerton in Richmond, Yorkshire, by-election campaign. European Parliament session opens Strasbourg (until February 17). ECO/FIN council meets in Brussels. Informal meeting of EC Transport Ministers in Murcia. EC Agriculture Ministers start two-day meeting in Brussels. Ministers of 66 African, Caribbean and Pacific developing countries meet in Brazzaville to prepare for talks with EC Ministers on Lomé Convention.

TUESDAY: Bank of England publishes fourth quarter international banking statistics. EC meeting on political co-operation, Madrid. President Jacques Delors presents the EC 1989 work programme to the European Parliament. Result due for ballot on industrial action by airport firemen. President Ershad of Bangladesh begins official visit to London (until February 18). National Farmers Union two-day conference opens, Kensington Town Hall. Reuters Holdings preliminary results. Amstrad interim results.

WEDNESDAY: Index of output of the production industries for December. NASUWT teachers union lobbies Parliament over women's pension rights. Deadline for final Soviet withdrawal from Afghanistan. West German Parliament receives report on alleged West German links with Libyan chemical plant. Sri Lankan general election. EC Fishing Council meets in Brussels. Two-day welding exhibition opens, Harrogate. British Airways third quarter results.

THURSDAY: January provisional figures of vehicle production. Public sector borrowing requirement for January. Fourth quarter provisional figures of capital expenditure by the manufacturing and service industries. Labour market statistics: unemployment and vacancies (January - provisional); average earnings indices (December - provisional); employment, hours, productivity and unit wage costs; industrial disputes. West German and Italian Foreign Ministers address UN conference on disarmament, Geneva. EC/ACP Ministerial Council two-day meeting opens in Brazzaville. British Telecom third quarter results. BP finals.

FRIDAY: January tax and price index. Retail prices index for January. Mr Neil Kinnock, party leader, speaks at rally opening Labour Party local government conference, Southampton. The Prince of Wales meets US President Mr George Bush in Washington.

BANK RETURN

BANKING DEPARTMENT	Wednesday February 8, 1989 £	Increase or decrease for week £
LIABILITIES		
Capital	14,553,000	
Public Deposits	93,246,413	+ 3,587,386
Bankers Deposits	1,308,308,588	- 77,813,875
Reserve and other Accounts	1,780,429,851	+ 109,078,773
	3,206,627,834	- 35,032,184
ASSETS		
Government Securities	719,922,401	+ 126,855,000
Advances and other Accounts	669,058,312	- 201,818,682
Premises Equipment & other Secs	1,810,946,657	- 107,303,970
Notes	6,530,429	- 2,697,441
Coin	291,135	+ 4,545
	3,206,627,834	- 35,032,184
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	14,134,460,561	- 7,302,559
Notes in Banking Department	5,539,430	- 2,697,441
	14,140,000,000	- 10,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	5,865,790,199	- 451,287,002
Other Securities	8,263,194,711	+ 441,287,002
	14,140,000,000	- 10,000,000

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Anglo & Overseas ....fin	2.75	Apr 20	2.5*	4.1	3.75*
Grahams Rintoul ....fin	1	Mar 1	-	1	-
Second Alliance ....int	8	Mar 10	3	[illegible]	[illegible]
Stainless Metal ....fin	nil	-	2.52	2	4.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ¶Unquoted stock. ‡Third market.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

- ● First Dealings Feb 6
- ● Last Dealings Feb 17
- ● Last Declarations May 18
- ● For settlement May 30

For rate indications see end of London Share Service.

Calls in Dixons, Platignum, AMI Healthcare, BSG, Tusker Res, Eurotunnel Wrnts, Stormgard, Chloride, Blacks Leis, Brawray, Tranwood, Conroy Pet, Sanderson, City Lond Prop, Campari, Hobson, Clogau Gold, Dares Ests, Chamberlain, Phipps, Norfolk Cap, London Int, Control Secs, Jaguar.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 89 Vol	Feb. 89 Last	May 89 Vol	May 89 Last	Aug. 89 Vol	Aug. 89 Last	Stock
GOLD C	$400	12	0.70	285	13	[illegible]	[illegible]	$391.10
GOLD C	$420	[illegible]	[illegible]	49	5.50	33	15.50 A	$391.10
GOLD C	$460	[illegible]	[illegible]	50	0.80	60	3.60	$391.10
GOLD P	$390	20	2.8	32	7.70	[illegible]	[illegible]	$391.10
GOLD P	$400	64	10.50	20	13 B	[illegible]	[illegible]	$391.10
GOLD P	$420	31	30	22	28	21	29 B	$391.10
		Mch. 89		**Jun. 89**		**Sep. 89**		
SILVER C	$700	[illegible]	[illegible]	[illegible]	[illegible]	30	15	$587
		Feb. 89		**Mch. 89**		**Apr. 89**		
EOE Index C	Fl. 265	326	6.30	38	9.60	11	9.50	Fl. 270.83
EOE Index C	Fl. 270	938	2.70	[illegible]	6 B	37	8	Fl. 270.83
EOE Index C	Fl. 275	195	0.80	244	4	15	6 A	Fl. 270.83
EOE Index C	Fl. 280	-	-	5	2.50 0	59	5.70	Fl. 270.83
EOE Index P	Fl. 260	-	-	198	2.20	12	4.30	Fl. 270.83
EOE Index P	Fl. 265	587	0.80	268	3.50 A	13	6.20	Fl. 270.83
EOE Index P	Fl. 270	804	2.50	548	5.70	50	7.70	Fl. 270.83
EOE Index P	Fl. 275	265	5.50	107	8.20	13	10.80	Fl. 270.83
S/FI C	Fl. 205	95	4.30 B	169	5 B	17	6.50	Fl. 210.05
S/FI C	Fl. 210	233	1.30	518	2.75	110	3.10 B	Fl. 210.05
S/FI C	Fl. 215	10	0.10	130	1.20	55	1.70 B	Fl. 210.05
S/FI P	Fl. 205	38	8.50	149	1.20	103	2.60 A	Fl. 210.05
S/FI P	Fl. 210	58	1.50 A	156	3.30 A	-	-	Fl. 210.05
		Apr. 89		**Jul. 89**		**Oct. 89**		
ABN C	Fl. 45	166	0.90	113	1.60	62	1.90	Fl. 43
ABN P	Fl. 40	13	0.30	24	1	5	1.50	Fl. 43
AEGON C	Fl. 95	157	2.70	22	4 A	-	-	Fl. 93.60
AEGON P	Fl. 85	-	-	75	1.60	-	-	Fl. 93.60
AHOLD C	Fl. 100	6	1	100	2	-	-	Fl. 92
AHOLD P	Fl. 90	78	1.90	50	3.50	-	-	Fl. 92
AKZO C	Fl. 150	383	6.50	55	7.80	30	10.70 B	Fl. 151.60
AKZO P	Fl. 150	135	3.40	30	7.60	301	8.50	Fl. 151.60
AMEV C	Fl. 55	655	2.70	156	3.50	2	4.30	Fl. 55.50
AMEV P	Fl. 55	24	1.70	46	3	-	-	Fl. 55.50
AMRO C	Fl. 85	331	1.60	47	2.80	-	-	Fl. 82.60
AMRO P	Fl. 80	125	2	5	2.50	10	4	Fl. 82.60
BUHRMANN-T C	Fl. 65	43	2	100	2.50	-	-	Fl. 64
BUHRMANN-T P	Fl. 65	17	2.70	20	4	-	-	Fl. 64
ELSEVIER C	Fl. 65	39	1.80	11	3	-	-	Fl. 64
ELSEVIER P	Fl. 65	5	2	20	3.50	-	-	Fl. 64
GIST-BROC. C	Fl. 40	194	0.90	46	2	34	2.90	Fl. 37
GIST-BROC. P	Fl. 40	60	3.50	21	4.60	2	4.80	Fl. 37
HEINEKEN C	Fl. 160	-	-	365	3.50	-	-	Fl. 150.50
HOOGOVENS C	Fl. 80	759	4.80	203	6.50	17	8	Fl. 81.40
HOOGOVENS P	Fl. 80	375	3	89	5.30 A	-	-	Fl. 81.40
KLM C	Fl. 50	1074	0.50	162	1.60	105	2	Fl. 45.10
KLM P	Fl. 45	476	1.50	274	2.20	77	3	Fl. 45.10
KNP C	Fl. 50	387	5	148	4 B	9	4.80	Fl. 51.60
KNP P	Fl. 50	74	1.80 B	62	3	8	3.80	Fl. 51.60
NEDLLOYD C	Fl. 280	50	29	1	35.50	-	-	Fl. 301.50
NEDLLOYD P	Fl. 300	33	11	9	19	-	-	Fl. 301.50
NAT.NED. C	Fl. 70	129	1	126	1.80	13	2.50	Fl. 66
NAT.NED. P	Fl. 65	18	1.30	25	2.50	18	3.30	Fl. 66
PHILIPS C	Fl. 40	279	0.60	128	1.10	8	1.90	Fl. 36
PHILIPS P	Fl. 35	346	1.50	534	2.30	7	2.40	Fl. 36
ROYAL DUTCH C	Fl. 125	1148	2.80	101	3.90	-	-	Fl. 123.40
ROYAL DUTCH P	Fl. 125	449	5.50	25	6	-	-	Fl. 123.40
UNILEVER C	Fl. 130	966	4.80	76	6.40 B	11	8.50	Fl. 131.30
UNILEVER P	Fl. 130	604	3.10	35	5.50	21	7.30 A	Fl. 131.30
VAN OMMEREN C	Fl. 40	293	1.50 B	119	1.80	99	2.50	Fl. 38.20
WESSANEN C	Fl. 85	45	1.40	18	2.50	-	-	Fl. 79.50
WESSANEN P	Fl. 85	56	6.50	-	-	-	-	Fl. 79.50

TOTAL VOLUME IN CONTRACTS : 40,839

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	Nat Westminster	13
Adam & Company	13	Comm. Bk. N. East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs	13
Banco Bilbao Vizcaya	13	First National Bank Plc	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd	‡13.95		
Citibank NA	13	Mount Banking Corp	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Fri Feb 10 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Thu Feb 9 Index No.	Wed Feb 8 Index No.	Tue Feb 7 Index No.	Year ago (approx) Index No.	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
1 CAPITAL GOODS (208)	910.71	-1.4	10.29	3.92	11.92	1.09	923.57	927.13	916.21	723.69	927.13 8/2/89	766.88 8/2/88	1038.07 16/7/87	50.71 13/12/74
2 Building Materials (28)	1340.81	-0.9	11.18	4.00	11.01	0.26	1150.71	1152.18	1136.15	958.67	1152.18 8/2/89	900.82 9/12/88	1381.88 16/7/87	44.27 11/12/74
3 Contracting, Construction (39)	1676.18	-1.2	11.82	3.66	11.03	0.00	1696.89	1700.29	1686.18	1458.99	1700.29 8/2/89	1385.85 4/1/88	1951.50 16/7/87	71.48 2/12/74
4 Electricals (10)	2670.36	-0.6	8.10	4.23	14.88	0.00	2686.68	2673.16	2654.70	2031.96	2686.68 9/2/89	1946.87 6/4/88	2733.45 20/7/87	84.71 25/6/62
5 Electronics (30)	2045.95	-1.3	9.16	3.20	14.12	7.19	2071.86	2086.34	2063.70	1470.07	2086.34 8/2/89	1423.66 9/2/88	2236.70 17/7/87	1229.01 8/10/85
6 Mechanical Engineering (55)	483.66	-1.8	9.85	3.89	12.35	0.12	492.40	494.56	490.25	376.00	494.56 8/2/89	367.20 0/2/88	544.57 14/10/87	45.43 5/1/75
8 Metals and Metal Forming (7)	521.34	-0.2	14.72	5.65	7.60	4.00	522.39	523.42	521.19	427.16	523.42 8/2/89	424.40 19/2/88	596.67 9/10/87	49.65 6/1/75
9 Motors (17)	309.72	-1.9	10.56	4.27	10.99	0.40	315.73	317.73	312.62	270.37	317.73 8/2/89	254.89 12/12/88	411.42 13/10/87	19.91 6/1/75
10 Other Industrial Materials (22)	1528.45	-2.3	9.03	4.12	13.14	3.46	1563.68	1571.74	1542.80	1207.31	1571.74 8/2/89	1191.81 8/2/88	1736.80 22/9/87	277.55 15/1/81
21 CONSUMER GROUP (186)	1182.50	-1.8	8.80	3.56	14.24	0.87	1194.92	1203.17	1193.18	1008.84	1203.17 8/2/89	989.31 14/12/88	1406.32 16/7/87	61.41 13/12/74
22 Brewers and Distillers (22)	1274.53	-1.4	9.99	5.49	12.58	0.00	1292.10	1296.99	1288.91	970.95	1296.99 8/2/89	951.87 8/2/88	1296.99 8/2/89	69.47 13/12/74
25 Food Manufacturing (21)	1061.34	—	8.63	3.62	14.55	1.57	1061.79	1069.06	1062.93	825.10	1069.06 0/2/89	803.48 6/4/88	1092.25 16/7/87	59.67 11/12/74
26 Food Retailing (15)	2052.36	-1.1	8.84	3.42	14.89	4.84	2075.63	2101.11	2089.67	1985.23	2179.42 10/3/88	1723.24 15/12/88	2649.96 16/7/87	54.25 11/12/74
27 Health and Household (13)	2132.40	-1.3	6.29	2.54	18.22	0.20	2160.03	2189.17	2158.10	1773.62	2189.17 8/2/89	1708.33 13/1/88	2699.85 16/7/87	175.38 28/5/80
29 Leisure (33)	1581.29	-0.4	7.67	5.30	16.49	1.30	1587.52	1578.66	1565.32	1184.02	1587.52 9/2/89	1142.19 4/1/88	1587.52 9/2/89	54.83 9/1/75
31 Packaging & Paper (17)	594.19	-1.6	9.39	5.85	13.25	0.53	603.80	607.36	601.37	493.63	607.36 8/2/89	473.11 6/4/88	739.48 16/7/87	43.46 6/1/75
32 Publishing & Printing (18)	3799.76	-1.7	8.37	4.14	14.97	3.38	3865.14	3916.24	3874.14	3379.16	3916.24 0/2/89	3091.72 14/12/88	5870.66 5/10/87	55.08 6/1/75
34 Stores (33)	794.52	-1.3	10.78	4.35	12.29	0.32	804.78	806.72	800.87	791.32	859.85 28/1/88	650.79 9/12/88	1160.58 29/7/87	52.63 6/1/75
35 Textiles (14)	515.85	-1.3	13.50	5.52	8.87	0.00	522.76	533.02	531.99	551.84	620.72 27/4/88	432.61 14/12/88	914.52 2/10/87	62.66 11/12/74
40 OTHER GROUPS (93)	1047.07	-0.9	10.10	4.13	12.09	0.12	1056.49	1063.77	1051.75	869.00	1063.77 0/2/89	834.42 8/2/88	1192.48 0/10/87	58.63 6/1/75
41 Agencies (18)	1202.80	-1.7	8.74	2.64	14.44	0.88	1223.88	1234.25	1232.05	1871.26	1234.25 8/2/89	994.91 12/12/88	1795.57 17/7/87	870.35 4/12/87
42 Chemicals (22)	1208.50	-1.5	10.60	4.37	11.36	8.23	1226.80	1235.01	1209.69	1034.21	1235.01 8/2/89	971.71 5/4/88	1545.46 5/10/87	71.28 1/12/74
43 Conglomerates (12)	1491.31	+0.2	10.37	4.87	11.13	8.88	1488.59	1485.35	1458.13	1155.88	1491.31 10/2/89	1095.37 4/1/88	1547.81 8/10/87	975.19 10/11/87
45 Shipping and Transport (12)	2297.28	-0.8	8.65	3.63	15.11	0.00	2314.81	2329.29	2295.87	1811.56	2329.29 8/2/89	1718.96 4/1/88	2497.85 16/7/87	90.80 29/6/62
47 Telephone Networks (2)	1096.69	-0.7	10.71	4.28	12.14	8.00	1104.60	1117.23	1117.79	952.37	1138.55 50/1/89	880.24 12/1/88	1274.14 9/6/87	517.92 30/11/84
48 Miscellaneous (27)	1444.83	-1.4	9.81	5.78	11.60	0.62	1464.74	1477.60	1456.73	1158.95	1477.60 8/2/89	1096.28 19/5/88	1773.70 5/10/87	60.39 6/7/75
49 INDUSTRIAL GROUP (487)	1092.59	-1.1	9.57	3.81	12.91	8.76	1104.72	1111.40	1100.18	907.66	1111.40 8/2/89	887.00 8/2/88	1268.86 16/7/87	59.81 13/12/74
51 Oil & Gas (13)	1911.83	-0.9	9.64	5.80	13.27	0.88	1929.96	1944.06	1937.14	1762.76	1964.75 31/1/89	1681.40 9/9/88	2458.60 16/7/87	87.23 29/5/62
59 500 SHARE INDEX (500)	1162.57	-1.1	9.58	4.08	12.96	0.78	1175.23	1182.53	1171.62	980.16	1182.53 8/2/89	958.79 5/2/88	1369.88 16/7/87	63.49 13/12/74
61 FINANCIAL GROUP (126)	761.74	-0.8	—	4.68	—	8.28	767.99	776.56	761.68	641.84	776.56 8/2/89	630.02 8/2/88	896.67 11/10/87	55.88 13/12/74
62 Banks (8)	769.15	-0.7	18.63	5.69	7.28	0.00	774.33	788.44	760.26	643.41	788.44 8/2/89	618.26 7/4/88	898.38 16/7/87	62.44 12/12/74
65 Insurance (Life) (8)	1852.52	-1.2	—	5.13	—	8.08	1065.52	1086.92	1079.41	960.31	1090.17 1/8/88	906.86 14/12/88	1285.72 9/10/87	44.80 2/1/75
66 Insurance (Composite) (7)	603.61	-0.7	—	5.18	—	8.08	608.17	611.64	608.28	497.75	611.64 8/2/89	481.43 8/2/88	787.58 13/10/87	43.96 13/12/74
67 Insurance (Brokers) (7)	1851.20	-1.8	8.33	6.18	15.08	0.00	1870.36	1071.22	1053.34	894.96	1071.22 8/2/89	823.41 6/4/88	1399.56 17/7/87	65.86 16/12/74
68 Merchant Banks (11)	353.08	+0.2	—	4.25	—	8.08	352.45	353.50	350.39	337.14	378.23 9/6/88	309.82 13/12/88	547.59 12/10/87	31.21 7/1/75
69 Property (53)	1317.46	-1.0	5.50	2.55	23.15	0.69	1330.38	1339.17	1318.40	1012.98	1339.17 8/2/89	975.44 4/1/88	1374.86 16/7/87	56.81 28/4/65
70 Other Financial (32)	387.70	-0.6	9.00	5.20	13.87	1.12	590.17	591.49	386.67	376.67	401.37 22/5/88	340.50 14/12/88	603.48 16/7/87	33.29 17/12/74
71 Investment Trusts (76)	1872.44	-1.8	—	2.85	—	0.67	1083.66	1085.53	1071.31	841.06	1085.53 8/2/89	784.91 4/1/88	1207.90 5/10/87	71.12 13/12/74
81 Mining Finance (2)	679.59	+0.2	8.99	3.08	12.39	8.00	678.48	676.82	671.05	407.83	679.59 10/2/89	385.04 8/2/88	727.93 5/8/87	66.31 30/9/74
91 Overseas Traders (8)	1439.44	+0.2	8.69	4.64	13.36	15.65	1437.19	1419.54	1374.33	1017.94	1447.77 7/11/88	969.08 4/1/88	1447.77 7/11/88	97.37 6/1/75
99 ALL-SHARE INDEX (712)	1065.13	-1.0	—	4.12	—	0.72	1075.88	1082.84	1078.79	889.66	1082.84 8/2/89	870.19 8/2/88	1238.57 16/7/87	61.92 13/12/74
	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 9	Feb 8	Feb 7	Feb 6	Feb 3	Year ago				
FT-SE 100 SHARE INDEX‡	2056.1	-23.0	2060.7	2041.4	2079.1	2096.2	2072.8	2044.3	2069.9	1734.8	2096.2 8/2/89	1694.5 8/2/88	2443.4 16/7/87	986.9 23/7/84

FIXED INTEREST

PRICE INDICES	Fri Feb 10	Day's change %	Thu Feb 9	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	119.67	-0.03	119.71	-	1.26
2 5-15 years	137.22	-0.19	137.69	0.21	1.73
3 Over 15 years	151.97	-0.13	152.17	-	0.25
4 Irredeemables	175.64	+0.10	175.47	-	0.00
5 All stocks	134.68	-0.13	134.97	0.11	1.40
Index-Linked					
6 5 years	131.87	-0.10	132.00	-	0.00
7 Over 5 years	130.92	-0.35	131.35	-	0.50
8 All stocks	130.86	-0.32	131.27	-	0.53
9 Debentures & Loans	118.39	+0.06	110.33	-	0.62
10 Preference	89.86	-	89.86	-	0.17

AVERAGE GROSS REDEMPTION YIELDS		Fri Feb 10	Thu Feb 9	Year ago (approx.)	1988/89 High	1988/89 Low
British Government						
1 Low	5 years	0.91	8.88	9.08	10.54 14/12/88	8.38 18/4/88
2 Coupons	15 years	8.79	0.77	9.42	9.83 13/1/88	8.77 9/2/89
3	25 years	0.75	8.74	9.31	9.57 13/1/88	8.74 9/2/89
4 Medium	5 years	10.04	9.98	9.65	10.94 14/12/88	8.75 18/4/88
5 Coupons	15 years	9.26	9.23	9.64	10.01 13/1/88	9.12 15/3/88
6	25 years	0.92	8.89	9.48	9.79 13/1/88	8.89 8/2/89
7 High	5 years	10.19	10.14	9.74	11.06 14/12/88	8.84 18/4/88
8 Coupons	15 years	9.46	9.43	9.79	10.16 13/1/88	9.26 15/3/88
9	25 years	9.07	9.05	9.51	9.82 13/1/88	8.99 27/1/89
10 Irredeemables		8.75	8.75	9.41	10.09 2/9/88	8.65 18/4/88
Index-Linked						
11 Inflation rate 5%	5 yrs.	3.57	3.51	2.40	5.87 4/1/89	2.09 30/3/88
12 Inflation rate 5%	Over 5 yrs.	3.58	3.55	3.85	4.27 13/1/88	3.53 8/11/88
13 Inflation rate 10%	5 yrs.	2.75	2.69	1.37	3.59 13/1/88	1.09 30/3/88
14 Inflation rate 10%	Over 5 yrs.	3.42	3.39	3.68	4.37 13/1/88	3.37 8/11/88
15 Debs &	5 years	11.63	11.63	10.89	11.82 28/9/88	10.16 24/5/88
16 Loans	15 years	11.20	11.20	10.86	11.41 28/9/88	10.51 19/4/88
17	25 years	10.79	10.80	10.86	11.21 2/9/88	10.51 19/4/88
18 Preference		10.84	10.84	10.49	10.84 1/2/89	9.54 22/6/88

‡Opening index 2060.4; 10 am 2055.8; 11 am 2060.5; Noon 2058.7; 1 pm 2056.0; 2 pm 2045.9; 3 pm 2045.9; 4 pm 2052.8; 4.05 pm 2056.1 (a) 11.05am (b) 2.44pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

Pacific Dunlop plans scrip issue after profits increase

By Chris Sherwell in Sydney

PACIFIC DUNLOP, the Australian-based multinational industrial group, yesterday reported a 45 per cent increase in interim profits after tax to A$124.6m (US$111.3m). It plans a one-for-ten scrip issue.

Figures for the six months to December showed earnings per share rising 33.5 per cent to 21.9 cents, on sales that climbed 26.8 per cent to A$2.2bn. Extraordinary losses of A$26.8m were due mostly to goodwill write-offs from new acquisitions.

Directors declared an interim dividend of 7.5 cents a share on the bonus-increased capital, up half a cent from the same period in 1987, and said they expected another good result in the second half.

According to Sir Leslie Froggatt, chairman, the performance of the battery, tyre, cable and distribution divisions showed that, through productivity gains, restructuring and vigorous marketing, the group was achieving international efficiency.

He said the group's Ansell International division increased its worldwide market share for condoms and medical gloves, and through the purchase of the Mates condom brand had secured 20 per cent of the UK market.

The cables division benefited from Australia's buoyant housing and construction market, and had reached agreements for the sale of its Olex technology to Taiwan and Indonesia.

An A$200m investment at the tyre division, which links Dunlop Olympic and Goodyear operations, was underway following a landmark agreement with unions on work practices.

The company said its battery division contributed substantially increased sales and earnings, due largely to the restructuring of its North American operations. US production capacity has now reached 14m batteries annually, representing 16-18 per cent of the market, and the new "Switch" car battery, with its novel back-up source of power, will be in production in the US next month.

Acquisitions contributing to sales for the first time included the Repco car parts business and the Nucleus and Telectronics medical products concerns. Write-offs of goodwill associated with these and the Mates purchases accounted for most of the extraordinary loss.

Chase to sell Hanimex holding

By Chris Sherwell in Sydney

CHASE CORPORATION, the New Zealand group headed by entrepreneur Mr Colin Reynolds, is selling its 89 per cent-owned Hanimex Corporation in order to realise a profit and reduce its debt.

The move to sell the camera group coincides with market suggestions that Chase, like other "entrepreneurial" companies since the October 1987 stock market crash, has been facing a financial squeeze. Chase's main activity is property development.

Mr Reynolds says that, according to Salomon Brothers, which Chase has mandated to sell the business, disposal of Hanimex could realise A$3.75 per Hanimex share, or A$260m (US$230.7m), through a leveraged buy-out. Salomon's apparently believes an outright sale to an offshore buyer might attract as much as A$6.25 per share.

This is far above the A$3.20 level at which the group was trading this week. However, even at A$3.75, Mr Reynolds says, a sale would reduce Chase's debts by NZ$260m and increase its shareholders' funds by NZ$200m.

In a statement, he points out that, under Chase, Hanimex has been transformed from a loss-making operation into a profit earner. He also confirms that Chase's immediate aim is to increase its net asset backing, reduce gearing levels and maximise cash resources.

SIA to sue Fed over bank ruling

THE SECURITIES Industry Association said it would sue the Federal Reserve Board to prevent affiliates of bank holding companies from underwriting corporate debt and equity securities.

In mid-January the Federal Reserve said it would let bank affiliates underwrite such securities.

The Glass-Steagall Act of 1933 prohibits commercial banks from owning brokerage houses. The act also separated commercial banking from investment banking activities.

The SIA said its suit against the Federal Reserve would try to convince the courts that the Fed over-reached its authority in letting bank affiliates underwrite corporate debt securities.

The SIA called the Fed's action last month "a dangerous piecemeal undermining of the safety barriers" of the Glass-Steagall Act.

The trade group said the Fed wrongly interpreted the act.

Banco Hispano results up sharply at Pta32.6bn

By Peter Bruce in Madrid

BANCO HISPANO Americano, one of Spain's biggest commercial banks, reported a sharp increase in net group profits to Pta32.6bn ($280m) last year.

This compares with the Pta1.5bn recorded in 1987 when the bank spent most of its earnings on pension provisions and country risk reserves.

The bank also hoisted the dividend to Pta170 per share from the Pta100 paid in 1987.

The results for 1988 were boosted by extraordinary gains of Pta35bn from the sale of its Banco Urquijo Union affiliate and the flotation of 25 per cent of Corporacion Financiera Hispamer.

However, most of the extraordinary earnings were made over to provisions and reserves.

Parent company net profits rose from Pta135m to Pta27.9bn.

Petromed, the Spanish petroleum company which is to market BP products in Spain, yesterday announced 1988 after-tax profits of Pta4.2bn ($36.5m), a 31 per cent increase on last year, on sales of Pta60.3bn, writes Tom Burns in Madrid.

The company, which is 58 per cent owned by Banco Espanol de Credito, Banesto, agreed on a joint venture last year with BP to market petroleum products under the BPMed brand name.

BP, which is the first oil multinational to gain a foothold in the deregulating Spanish petroleum market, will also take a 10 per cent stake in the Spanish company.

There has recently been speculation that Petromed might be merged with Cepsa, a second Spanish oil company, controlled by Banco Central.

Banesto and Central agreed last year to join forces in a single bank and are reviewing the merger of their banking and industrial interests.

Compagnie du Midi in Generali 'armistice'

By George Graham in Paris

COMPAGNIE DU MIDI, the leading French diversified insurance group, faces another stormy shareholders' meeting on February 28, as the three-way battle for control takes a new turn.

Mr Bernard Pagezy, Midi's chairman since 1975, appears ready to welcome on to the company's board two representatives of Assicurazioni Generali, the largest Italian insurance group, but is thought to have blocked a bid for increased representation by Axa, the French mutual insurance combine he called in last year to help ward off Generali's attacks.

The Midi board is understood to have decided to back a motion put forward by Generali for the election of Mr Eugenio Coppola di Canzano, a director of the Trieste insurer, and Mr Antoine Bernheim, a managing partner of the Lazard Frères merchant bank, Generali's ally in the battle.

However, the board will not back a motion by Axa to double its board seats to six.

On the surface, the assembly motions appear to reflect an armistice between Mr Pagezy and Generali which, in return, will agree to keep its stake. This, together with shares held by Lazard, is nearly 18 per cent.

In the Midi camp, officials say they were always ready for this sort of agreement, on condition that Generali abandoned any intentions of swallowing up Midi and turning it into a subsidiary.

The relationship with Mr Claude Bebear, whose Axa group is Midi's largest shareholder with around 28 per cent, is less clear. The strong personalities of Mr Bebear and Mr Pagezy started to rub within days of their decision to merge their two insurance groups last year. Mr Pagezy accuses Mr Bebear of seeking to ease him out of the chairmanship of Midi, while Mr Bebear accuses Mr Pagezy of plotting new mergers in a bid to dilute Axa's stake in the group.

Paris observers believe that, for the moment, Generali is leaning more towards the 62-year-old Mr Pagezy, but note that it could still at any moment play each man off against the other.

The disagreements between the two men led to them pursuing contradictory policies in the stock market battle over Société Générale, the privatised bank, and have distracted attention from the growing difficulties of merging their overweight and mutually competitive insurance networks.

Aker to leave real estate after losses of NKr4m

By Karen Fossli in Oslo

AKER, the diversified Norwegian group, is to "gradually disengage from its real estate activities" in the course of 1989-1990. According to preliminary figures for 1988, the real estate business saw losses, after financial items, of NKr4m ($592,000), against profits in 1987 of NKr115m, and a decline in sales to NKr100m from NKr267m the previous year.

For the group as a whole, sales rose by 24 per cent to NKr16bn against NKr13.02bn in the previous year. However, profits after financial items dropped threefold, to NKr157m from NKr474m, due to a NKr325m loss on a major offshore construction contract.

The downturn in the Norwegian building materials market also led to lower profits in this business sector.

Aker said profits in the offshore business and land-based construction and civil engineering activities developed favourably. The UK-based Castle Cement, which Aker acquired for £230m ($401m) last April, performed particularly well with net profits of NKr170m last year. A profit of NKr280m is budgeted for 1989.

Aker implemented a radical restructuring last summer which is expected to lead to a reduction of NKr3.8bn in interest bearing debt. The reorganisation forced losses of NKr170m on extraordinary items including an extraordinary NKr385m write-down on real estate holdings.

The company disposed of key shareholdings in various Norwegian and Swedish companies which freed NKr1.5bn in capital. Negotiations are underway for the sale of shares in Saga Petroleum, the Norwegian independent oil company, and in the Norwegian Oil Consortium (NOCO).

Mr Gerhard Heiberg, group chief executive, who is to become executive chairman from April 1, said he believed the company was back on the right track to achieve profits of NKr600m for 1989.

Linotype moves ahead by 25%

By Haig Simonian in Frankfurt

LINOTYPE, the West German printing electronics group sold in 1987 by Allied-Signal of the US, has reported record earnings for its first full year as an independent company.

Group turnover rose by over 18 per cent to DM610m ($326.2m) in 1988, while net profits increased by more than 25 per cent to over DM50m, according to preliminary figures. As a result, the dividend of DM11 a share in 1987 looks almost certain to be increased. Linotype shares jumped DM15 to close at DM882 in Frankfurt yesterday.

The group has been pushed ahead by strong demand for its laser image setters – sophisticated electro-mechanical devices which translate data from a computer terminal into high-resolution film used to make a plate for a printing press.

Linotype's overall order book rose by 20 per cent last year, while its order backlog jumped by 55 per cent. The company now claims to be the world's biggest manufacturer of pre-print equipment following last year's surge in sales.

Laser image setters, which account for about 60 per cent of group sales, have played an important part in its success. One model, the L300, has now outsold any other similar product since its launch in 1986. In September, the group introduced the cheaper Linotronic 200 model, which had already recorded over 1,000 orders and 620 deliveries by year-end, according to Mr Wolfgang Kummer, Linotype's chief executive.

Elders may put mill into joint venture

By Gordon Cramb in Sydney

NEW ZEALAND'S largest pulp and paper mill may change ownership again, less than a year after Elders Resources (ERL) of Australia completed its reverse takeover of NZ Forest Products, owner of the facility at Kinleith, south of Auckland.

Although ERL wants to retain Kinleith, it faces a modernisation bill of up to NZ$700m (US$432m) for the ageing plant, which is costing NZ$80m a year to maintain and has been troubled by labour disputes. ERL - where one executive said yesterday, "Don't expect us to write a cheque out" - is considering putting Kinleith into a joint venture.

It is holding talks with possible partners, including foreign industrial users of paper products. A decision is expected within six weeks.

Last May NZFP concluded an evaluation of modernisation proposals for Kinleith, where it had recently shut the oldest of six paper machines.

ERL, an associate of Mr John Elliott's Elders IXL, has around half its assets in NZFP and is anxious to reduce this proportion. It insists, however, that it could finance the renewal from internal funds.

Mr Paul Rayner, ERL finance director, said: "A joint venture would be profitable and would fund the plant. Debt would be capitalised until the project was finished."

Hagemeyer fails in Medicopharma bid

By Andrew Baxter

THE CONTROVERSIAL bid by Hagemeyer, the Dutch trading group, for Medicopharma, the small Dutch generic drug producer, has failed ignominiously, it was announced yesterday.

In a short statement, Hagemeyer, controlled by Hong Kong's First Pacific trading and financial services group, said: "A totally insufficient number of Medicopharma shares have been offered for the bid to succeed."

The two companies had announced on December 14 that Hagemeyer would offer 0.873 Hagemeyer shares for each Medicopharma share. This caused immediate protests in the Netherlands, and later among the UK institutions which hold about 25-35 per cent of Medicopharma's stock, because the terms failed to include a premium over the prevailing share price.

Hagemeyer had hoped for a clear majority for the deal, and had been at pains to stress the industrial logic of a merger.

However, only 3 per cent of Medicopharma shareholders had accepted Hagemeyer's bid offer, Mr Suardus Fontein, Medicopharma's president and chief executive, said yesterday.

Equiticorp's 80% stake in NZ Steel up for sale

By Dai Hayward in Wellington

THE RECEIVERS of Equiticorp International have put the company's 80 per cent shareholding in New Zealand Steel up for sale. Potential buyers have until March 20 to tender for the shares.

Equiticorp, an investment and merchant banking group with most of its assets in New Zealand and Australia, acquired the shareholding in NZ Steel, New Zealand's biggest steel group, from the New Zealand Government in 1987 for NZ$327m (US$200.6m).

Put into receivership last month, Equiticorp is in the hands of a variety of provisional liquidators, receivers, administrators and statutory managers in New Zealand, Australia, Hong Kong and the UK.

Equiticorp used the NZ Steel shares to secure a loan of about A$100m from Elders Finance, part of the Elders IXL group. Equiticorp's Australian provisional liquidator, Mr John Harkness, said Elders probably would receive the sale proceeds directly upon realisation, without having that money go through the liquidator.

It was also announced that the receivers were investigating Equiticorp chairman Allan Hawkins' part in the purchase of NZ Steel shares. They expect to report next week.

Demand for zinc boosts Pasminco

By Chris Sherwell in Sydney

PASMINCO, the Australian zinc and lead giant formed by merging the base metal businesses of CRA and North Broken Hill Peko, yesterday reported an after-tax profit of A$54.7m (US$48.5m) for the six months to December.

The results were the first for the group, which is currently floating 20 per cent of its shares to the public and to the shareholders of CRA and NBHP.

The profit was achieved on turnover of A$823.5m, and the company said the figures reflected strong demand for its major product, zinc, which had resulted in an increase in prices.

It said the European Producer Price rose to US$1,500 per tonne in December from US$1,200 in August.

However, the impact of these rises has been blunted by the strengthening Australian dollar.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	High 1988/89	Low 1988/89
Gold per troy oz.	$390.25	+1.5	$443.50	$485.5	$388.75
Silver Per troy oz	332.9p		357.95p	457.75p	328.4p
Aluminium 99.7% (cash)	$2180	+2.5	$2140	$4205	$1915
Copper Grade A (cash)	£1742.5	-60	£1392.5	£2004	£1129.5
Lead(cash)	£357	-10	£358.5	£408	£328
Nickel (cash)	$18885	+885	£8485	$22200	£4022.5
Zinc (cash)	$1925	+120	£501.5	$1925	$850
Tin (cash)	£4435	+15	£3910	£4540	£3625
Cocoa Futures (May)	£877	+26	£1081	£1182	£722
Coffee Futures (May)	£1125	-30	£1308	£1317	£922
Sugar (LDP Raw)	$268.0	+9.2	$226.0	$393	$213.6
Barley Futures (May)	£111.15	-0.65	£106.60	£112.15	£97.25
Wheat Futures (May)	£115.45	-0.25	£108.60	£118.0	£103.35
Cotton Outlook A Index	62.05c	-1.85	67.55c	75.3c	54.9c
Wool (64S Super)	676p	-6	575p	710p	484p
Rubber (Spot)	58.5p	-2.75	63p	88p	51p
Oil (Brent Blend)	$15.75		$16.075	$17.60	$11.25

Per tonne unless otherwise stated. †Unquoted. p-pence/kg, c-cents lb

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.90-4.00z	-0.30
Brent Blend	$15.70-5.80z	
W.T.I. (1 pm est)	$17.15-7.20z	-0.20
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$179-182	-1
Gas Oil	$134-136	-2
Heavy Fuel Oil	$65-67	-3
Naphtha	$157-159	-2
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$390.25	-4.00
Silver (per troy oz)♣	586c	-4
Platinum (per troy oz)	$531.25	-7.00
Palladium (per troy oz)	$140.35	-0.80
Aluminium (free market)	$2175	-20
Copper (US Producer)	141⅝-144c	+1½
Lead (US Producer)	38.5c	
Nickel (free market)	852c	+36
Tin (European free market)	£4435.0	-2.5
Tin (Kuala Lumpur market)	20.81r	+0.11
Tin (New York)	356.5c	+2.0
Zinc (US Prime Western)	79⅞c	+1⅛
Cattle (live weight)†	106.57p	-2.16*
Sheep (dead weight)†	136.01p	-4.39*
Pigs (live weight)†	78.09p	+0.39*
London daily sugar (raw)	$268x	+8
London daily sugar (white)	$288x	+2
Tate and Lyle export price	£259.5	+2.0
Barley (English feed)	£112.75	-2.25
Maize (US No. 3 yellow)	£132	
Wheat (US Dark Northern)	£124.0v	-0.5
Rubber (spot)♥	58.5p	-1.0
Rubber (Mar)♥	69.0p	-1.0
Rubber (Apr)♥	69p	-1
Rubber (KL RSS No 1 Mar)	308m	-1
Coconut oil (Philippines)§	$530x	
Palm Oil (Malaysian)§	$395x	
Copra (Philippines)§	$370	
Soyabeans (US)	$185.0x	-2.5
Cotton "A" index	62.05c	-0.9
Wooltops (64s Super)	676p	-2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. w-Feb. v-Apr/May. u-Mar/Apr. q-Apr/Jun. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Mar	860	855	864	851
May	877	874	882	869
Jul	877	870	879	868
Sep	871	862	874	868
Dec	884	879	888	879
Mar	877	865	880	873
May	882	870	879	874

Turnover:6829 (5050) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 9: 1130.47 (1118.05); 10 day average for Feb 10: 1110.00 (1107.55).

COFFEE £/tonne

	Close	Previous	High/Low	
Mar	1168	1185	1184	1165
May	1125	1155	1154	1125
Jly	1125	1139	1143	1130
Sep	1118	1124	1126	1124
Nov	1110	1120	1120	1110
Jan	1108	1116	1115	1110
Mar	1110	1120	1120	

Turnover:2557 (2756) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 9: Comp. daily 122.90 (122.60); 15 day average 122.37 (122.47).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	229.80	236.80	236.80	229.00
May	234.80	241.60	241.40	234.00
Aug	235.00	241.00	240.00	234.00
Oct	232.20	238.40	237.40	231.80
Dec	229.40	239.00	235.00	229.00
Mar	231.00	235.00	232.40	232.20
May	230.00	234.00	232.60	232.20
White	**Close**	**Previous**	**High/Low**	
Mar	285.00	289.00	289.00	285.00
May	278.00	282.00	281.50	277.00
Aug	278.00	281.00	281.00	277.30
Oct	271.00	272.00	274.00	271.00
Mar	265.50	268.00	265.50	

Turnover: Raw 5243 (4313) lots of 50 tonnes. White 2250 (1439).
Paris- White (FFr per tonne): Mar 1795, May 1770, Aug 1775, Oct 1715, Dec 1700, Mar 1680

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2050	150	157	0	54
2150	78	102	35	97
2250	30	62	88	155
Copper (Grade A)	**Calls**		**Puts**	
2800	239	212	23	148
3000	106	126	90	258
3200	35	70	217	397

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 13,075 tonne
Cash	2175-85	2180-90	2180	2175-80		
3 months	2155-60	2160-5	2165/2145	2157-60	2150-5	26,448 lots
Copper, Grade A (£ per tonne)						Ring turnover 25,425 tonne
Cash	1740-5	1755-60	1739/1735	1738-40		
3 months	1673-4	1686-7	1678/1654	1670-1	1664-5	64,261 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	581-4	586-9		585-6		
3 months	595-8	599-602		598-600		358 lots
Lead (£ per tonne)						Ring turnover 6,100 tonne
Cash	356-8	359-60		357.5-8		
3 months	362-3	364-4.5	364/361	362-3	361-2	9,455 lots
Nickel ($ per tonne)						Ring turnover 1,596 tonne
Cash	18600-900	18400-600	19000/18900	18900-9000		
3 months	18450-500	18250-300	18625/18400	18550-600	18500-50	8,334 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 3,300 tonne
Cash	2020-30	1925-30	2025/2020	2020-30		
3 months	1910-20	1860-5	1910/1905	1900-5	1910-20	4,402 lots
Zinc ($ per tonne)						Ring turnover 14,400 tonne
Cash	1920-30	1845-55		1915-25		
3 months	1832-5	1781-5	1850/1787	1833-5	1835-40	11,747 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Apr	70.5	70.2	70.8	70.5
May	84.5	85.3	84.5	84.2
Nov	90.8	90.5	92.0	90.5
Feb	102.0	101.0		

Turnover 42 (143) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Apr	157.00	158.00	158.00	157.00
Jun	150.50	152.00	151.50	151.00

Turnover 316 (618) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Feb	1535	1518	1540	1530
Mar	1591	1575	1595	1575
Apr	1625	1605	1630	1615
Jul	1456	1438	1468	1440
Oct	1580	1570	1580	1575
Jan	1590	1580	1590	1577
Apr	1600	1629	1600	
BFI	1523	1526	1523	

Turnover 611 (421)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Mar	111.75	111.75	111.75	111.40
May	115.45	115.60	115.50	115.25
Jun	117.30	117.30	117.30	117.00
Sep	102.00	102.95	102.90	
Nov	105.35	105.40	105.40	105.35
Jan	108.80	108.85	108.85	108.80
Mar	111.70	111.70	111.70	
Barley	**Close**	**Previous**	**High/Low**	
Mar	109.00	109.00	109.00	108.50
May	111.15	110.90	111.15	110.95
Sep	100.00	100.00	100.00	
Nov	103.20	103.20	103.20	

Turnover: Wheat 315 (134), Barley 34 (132).
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	390-390½	222¼-222¾
Opening	393¾-394¼	222¾-223¼
Morning fix	393.80	222.172
Afternoon fix	389.80	221.364
Day's high	394½-395	
Day's low	388-388½	

Coins	$ price	£ equivalent
Mapleleaf	401-406	228½-231½
Britannia	401-406	228½-231½
US Eagle	401-406	228½-231½
Angel	401-406	228½-231½
Krugerrand	390-392	221½-223½
New Sov.	91¾-92¼	52¼-53
Old Sov.	91¼-92¼	52¼-53
Noble Plat	542.75-551.60	308.90-312.00

Silver fix	p/fine oz	US cts equiv
Spot	332.80	580.00
3 months	343.55	603.95
6 months	353.95	618.50
12 months	374.25	646.90

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Mar	15.82	16.04	16.09	15.82
Apr	15.38	15.61	15.61	15.35
May	15.21	15.45	15.21	
IPE Index	15.93	16.11		

Turnover: 2291 (4427)

GAS OIL $/tonne

	Close	Previous	High/Low	
Mar	135.25	139.00	138.75	135.00
Apr	134.00	137.00	136.75	133.50
May	133.00	136.00	135.00	132.00
Jun	130.50	133.50	133.50	130.80
Jul	131.75	133.00	132.50	132.00

Turnover 4638 (5608) lots of 100 tonnes

US MARKETS

TECHNICAL SELLING in copper futures accelarated a decline as the market reacted to bearish charts and apparently targets a gap underneath present levels, reports Drexel Burnham Lambart. The precious metals reacted to the stronger U.S. dollar and the announcement by a U.S. bank of an increase in the prime rate, as trade selling touched-off commisison house sell stops. Local short-covering pared losses. Cattle futures continued to ease in response to the recent U.S.D.A. report, but late short-covering emerged. Live hogs were similarly weak, as the improved weather led to higher cut-out levels, but pork bellies recovered as product prices improved and despite continued high stocks. Soybeans and meal eased on profittaking following the neutral crop and supply/demand reports. Beanoil firmed with improved export business, while corn, after easing in line with the beans, recovered on short-covering. Wheat firmed with short-covering as reports emerged of possible buying interest by China. Heating oil futures fell sharply, especially in the nearby contracts as major trade participants liquidated positions. Technical selling depressed both the crude oil and unleaded gasoline, with little trade house activity. Trade selling narrowed the March/May spread in coffee futures which in turn touched-off commisison house stops.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	388.8	394.9	395.5	388.2
Mar	390.0	396.3	0	0
Apr	391.7	398.0	399.7	390.1
Jun	396.6	403.0	404.5	395.1
Aug	401.9	408.4	407.5	401.0
Oct	407.4	413.9	411.5	411.5
Dec	412.9	419.4	419.8	412.5
Feb	388.8	394.9	396.5	388.2
Apr	424.1	430.7	424.0	424.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	525.0	532.4	0	0
Apr	525.0	532.7	539.0	516.0
Jul	524.0	529.7	536.0	519.0
Oct	523.5	528.9	535.0	520.0
Jan	524.5	529.9	532.0	525.0
Apr	527.5	532.9	534.2	534.2

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	581.2	589.1	0	0
Mar	583.5	591.5	595.5	576.0
Apr	588.5	596.5	0	0
May	593.7	601.7	606.0	586.5
Jul	604.5	612.3	617.0	597.0
Sep	614.8	622.5	624.5	609.0
Dec	630.0	637.7	636.5	625.0
Jan	634.5	642.2	0	0
Mar	645.2	652.9	650.0	644.0
May	655.5	663.3	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	133.70	136.00	133.90	133.70
Mar	130.75	133.75	133.20	129.75
Apr	126.10	129.25	0	0
May	123.10	126.50	126.30	122.30
Jul	117.10	120.00	119.50	116.80
Sep	113.60	116.25	115.30	113.30
Dec	110.10	112.75	112.10	110.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	17.14	17.39	17.44	17.06
Apr	16.60	16.92	16.92	16.56
May	16.39	16.64	16.62	16.34
Jun	16.18	16.41	16.39	16.15
Sep	15.75	15.90	15.91	15.74
Oct	15.74	15.82	15.80	15.70
Dec	15.66	15.75	15.90	15.70

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	4730	4861	4860	4715
Apr	4585	4667	4655	4655
May	4425	4505	4505	4420
Aug	4366	4397	4430	4355
Sep	4490	4462	4490	4490
Oct	4550	4627	4550	4550

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1524	1521	1566	1511
May	1463	1467	1510	1460
Jul	1442	1454	1470	1440
Sep	1416	1437	1450	1415
Dec	1400	1416	1424	1400
Mar	1395	1400	1400	1396

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	133.01	139.95	139.20	133.00
May	129.20	132.47	132.00	128.75
Jul	126.50	128.77	128.40	125.80
Sep	123.75	124.85	125.00	123.25
Dec	121.37	122.85	123.00	121.30
Mar	120.87	123.11	122.00	121.50
May	118.75	120.98	0	0
Jul	117.60	119.74	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.34	10.65	10.64	10.27
May	10.48	10.74	10.70	10.37
Jul	10.45	10.70	10.65	10.40
Oct	10.30	10.58	10.51	10.29
Jan	8.66	8.85	0	0
Mar	10.14	10.35	10.29	10.14
May	10.12	10.33	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	58.35	57.64	58.55	57.48
May	58.85	58.19	59.05	57.90
Jul	58.70	58.31	58.95	58.01
Oct	58.30	57.95	58.70	57.70
Dec	58.50	57.90	58.70	57.55

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	135.75	136.70	136.40	134.10
May	134.80	135.90	134.90	132.90
Jul	134.75	135.75	134.90	133.00
Sep	134.75	135.75	134.75	133.00
Nov	132.05	132.75	132.65	130.50

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 9	Feb 8	mnth ago	yr ago
1988.4	1975.8	1965.4	1758.7

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	135.83	135.91	141.91	130.56
Futures	139.04	139.67	144.95	133.87

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	735/0	746/0	750/4	732/0
May	746/2	756/4	761/0	743/4
Jul	753/0	763/0	767/4	751/4
Aug	749/0	758/0	762/0	748/0
Sep	727/0	733/0	738/0	725/4
Nov	712/2	717/2	721/4	710/0
Jan	718/0	726/4	727/4	716/0
Mar	724/0	731/0	733/4	724/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.69	21.62	21.84	21.40
May	22.20	22.14	22.36	21.93
Jul	22.70	22.66	22.85	22.45
Aug	22.90	22.85	23.00	22.74
Sep	23.15	23.10	23.25	23.10
Oct	23.30	23.22	23.30	23.30
Dec	23.61	23.50	23.90	23.45
Jan	23.75	23.60	23.70	23.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	234.3	238.2	239.5	233.6
May	232.7	237.0	238.0	231.5
Jul	230.0	234.5	236.2	229.0
Aug	226.2	231.2	232.5	226.0
Sep	222.5	226.5	226.5	222.0
Oct	217.5	219.5	220.0	216.5
Dec	216.7	217.5	218.2	214.0
Jan	216.7	218.2	217.5	215.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	266/0	266/0	266/2	262/6
May	272/4	271/2	273/0	269/2
Jul	276/2	275/2	276/4	273/0
Sep	270/0	269/2	271/2	267/6
Dec	270/4	269/4	271/4	268/2
Mar	277/0	276/2	277/6	275/0
May	279/2	278/4	280/0	278/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	428/6	425/2	429/0	422/0
May	428/4	424/2	429/4	423/2
Jul	410/2	404/2	411/0	402/0
Sep	415/4	408/2	416/4	408/4
Dec	427/0	420/6	427/0	419/2
Mar	430/0	424/0	430/0	423/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	74.22	73.97	74.28	73.75
Apr	75.05	75.22	75.10	74.12
Jun	74.15	74.15	74.25	73.35
Aug	72.20	72.17	72.25	71.60
Sep	71.60	72.00	71.50	71.50
Oct	71.82	71.32	71.70	70.92
Dec	72.75	72.40	72.75	72.02
Feb	72.40	72.20	72.40	72.20

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	41.60	41.90	42.07	41.30
Apr	41.77	41.80	42.20	41.70
Jun	46.60	46.32	46.77	46.17
Jul	46.70	46.60	46.97	46.32
Aug	45.75	45.85	46.15	45.75
Oct	43.15	43.20	43.50	43.10
Dec	45.00	44.77	45.15	44.90
Feb	45.85	46.00	0	45.85

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.00	37.57	38.25	37.80
Mar	37.85	37.57	38.15	37.30
May	38.70	38.30	38.90	38.25
Jul	39.32	38.87	39.45	38.85
Aug	38.27	38.17	38.70	38.05
Feb	53.40	53.85	53.85	53.10
Mar	50.70	51.90	0	50.70

INTL. COMPANIES

Hoechst scraps bid for minority shares in Celanese Canada

By Robert Gibbens in Montreal

HOECHST, the West German chemicals giant, has withdrawn its C$35 per share offer for the minority-held shares in *Celanese Canada* because several institutions refused to tender their stock. They maintained that the offer was too low.

Hoechst already owned 56 per cent of Celanese Canada through a US subsidiary and sought the balance in a bid worth C$210m (US$177.5m). It was seeking to merge Celanese Canada with its long-established subsidiary.

Hoechst said it was "highly unlikely" that the bid would be raised.

The Caisse de Depot, the Quebec Pension Fund manager, refused to tender 500,000 Celanese shares, saying the bid was "insufficient" in view of the company's very favourable outlook.

Royal Trust Company, the main financial services arm of the Brascan group of Toronto, has reported 1988 net profit of C$212m, or $1.48 a share, up from $188m, or $1.28, in 1987, on revenues of $2.8bn against $2.2bn.

Fourth-quarter earnings were $48m, or 31 cents a share, up *from $45m, or 28 cents, on* revenues of $803m against $617m.

Corporate assets reached $28.5bn, up from $24.5bn.

The company vies with Canada Trust Co for the title of Canada's largest trust company.

COMPANY NEWS IN BRIEF

IMASCO, the Canadian financial services, fast food, tobacco and retailing group controlled by BAT Industries of the UK, had a good fourth quarter and expects higher profit contributions from each operating group this year, writes Robert Gibbens in Toronto.

Fourth-quarter earnings were C$103.4m (US$87.4m), or 84 cents a share, up from C$97.5m, or 79 cents, a year earlier, on net revenues of C$1.3bn, against C$1.4bn.

For the full year, net profit rose to C$314.3m, or C$2.51, compared with C$282.7m, or C$2.24, in 1987 on net revenues of C$4.84bn against C$4.81bn. After special charges, the final profit was [illegible], or C$1.59 a share, against C$253.6m, or C$1.99 a share, in 1987.

CT Financial Services, through which Imasco owns Canada Trust Company, reported 1988 earnings of C$232m, or C$1.97 a share, against C$201m, or C$1.74, in 1987. Corporate assets rose to C$29.2bn from C$25.5bn and assets under administration to C$67bn from C$60bn. Profits *are expected to rise moderately* in 1989.

MACMILLAN BLOEDEL, the Canadian forest products group, unveiled record profits and sales for last year and said it was "poised for growth."

In the fourth quarter the group lifted net earnings to C$73.2m or 68 cents a share from C$62.9m or 57 cents last time. Sales moved ahead to C$801.1m, against C$791.2m.

For the full year it pushed profits up to C$329.8m or C$3.08, compared with C$280.6m or C$2.56 the previous year, while sales rose to C$3.27bn against C$3.1bn.

MacMillan said early indications for the current year showed that the markets for pulp, newsprint, linerboard and corrugated medium should remain "reasonably strong." The company added there were signs of softening in lumber markets in the US, primarily in commodity products.

However, it pointed out that its lumber products, which service the repair and renovation market, should help shelter it from any downturn.

The company said it was concerned about the impact of the stumpage system introduced by the British Columbia Government in October 1987. In soft markets, the fixed stumpage costs would "seriously impair" the BC industry's cost position in relation to international competitors, it added.

STONE CONTAINER, the US corrugated containers and paperboard group, expects the planned acquisition of Consolidated-Bathurst, the Canadian paper group, to enhance 1989 earnings per share. Stone has offered to buy Bathurst for C$2.6bn.

The US group reported 1988 *full-year earnings of $341.8m* or $5.69 a share, up from $161.3m or $2.81 the previous year on revenues of $3.74m against $3.23m.

It said it generated a record cash flow in 1988, with earnings before interest, taxes and depreciation exceeding $800m, and used this flow, together with proceeds from asset sales, to reduce debt during 1988 by a net of about $311m.

B.F.GOODRICH, the diversified US producer of plastics and chemicals, hoisted profits in the fourth quarter and at the year end.

The group last year sold its stake in Uniroyal Goodrich Tire for $225m and intends to concentrate on chemicals and aerospace businesses. It lifted net income at the year end to $195.7m or $7.42 a share from *$105m or $4.06 on revenues of* $2.4bn against $2.02bn.

In the fourth quarter the group advanced to $37.2m from $20.5m, which took per share earnings to $1.39 from 73 cents on revenues up at $617.7m, compared with $531.5m.

COASTAL CORPORATION, the US energy group, plans to more than double its number of petrol stations (currently 900) by 1990. The Houston-based group has launched a $2.6bn takeover offer for Texas Eastern.

Coastal, which owns six US refineries, is to sign up independent petrol retailers for franchises to sell petrol and *diesel fuel under the Coastal C* Mart brand name. The company is also buying stations under a separate programme.

In October, Coastal signed *an agreement* with *China* National Chemicals Import and Export Corporation to sell an interest in its West Coast refinery and marketing operations for an undisclosed amount.

Improved companywide refining and marketing margins boosted Coastal's earnings to $157.4m or $2.70 a share on sales of $8.2bn in 1988, up from profits of $113.1m or $2.10 on sales of $7.4bn previously.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Inflation worries boost dollar

CONCERN ABOUT rising inflation rescued the dollar from a lacklustre start in currency markets yesterday. A 1.0 per rise in January US producer prices was considerably above market expectations, and fuelled speculation that the Federal Reserve may have to push rates higher to control inflationary pressures. Tension rose further after an increase in prime rates to 11 per cent from 10½ per cent by some US banks.

The US unit started the day on a softer note, depressed by a disappointing reaction to President Bush's budget outline for the 1990 fiscal year. Sentiment was also affected by the low demand shown at the 30-year Treasury bond auction, held on Thursday.

Investors were content to take profits during the morning, but the sharp increase in producer prices prompted a sudden reversal, as traders moved to cover positions. The absence of any central bank intervention also encouraged a firmer tone.

The dollar made a few attempts before successfully establishing itself above the DM1.86 level to finish at DM1.8615 from DM1.8590 on Thursday. It failed to make any headway against the Japanese yen, closing at Y128.35 from Y128.50, but finished firmer elsewhere at SFr1.5820 from SFr1.5790 and FFr6.3350 compared with FFr6.3275. On Bank of England figures, the dollar's exchange rate index rose to 67.3 from 67.2.

Sterling opened on a strong note, underpinned by the dollar's initial weakness. Sentiment was also buoyed by comments in the Bank of England Quarterly Bulletin, which suggested that UK interest rates should not be reduced before further signs of an economic slow down.

However, the dollar's recovery in the afternoon saw sterling relinquish much of its earlier gains. Its exchange rate index slipped from an opening level of 98.0 to 97.8 at the close, although this was still up from 97.7 on Thursday.

Against the dollar, sterling finished barely changed at *$1.7540 from $1.7550. It was also* little moved against the D-Mark at DM3.2650 from DM3.2625. In yen terms it slipped to Y225.25 from Y225.50. *Elsewhere, the pound closed at* SFr2.7750 from SFr2.7700 and FFr11.1125 compared with FFr11.1050.

The Mark fluctuated sharply *against the dollar;* the latter touched a low of DM1.8365 during the morning before rising sharply to a best level of DM1.8640. There is now a renewed chance of a rise in West German rates, according to some analysts. The Bundesbank central council is due to meet next Thursday - a day before the release of US December trade figures. The authorities may take advantage of the meeting to push rates firmer, given the recent rise in West German inflation to its highest level for five years.

£ IN NEW YORK

Feb.10	Latest	Previous Close
£ Spot	1.7575-1.7585	1.7535-1.7545
1 month	0.48-0.47pm	0.49-0.47pm
3 months	1.39-1.36pm	1.45-1.40pm
12 months	3.72-3.65pm	3.88-3.78pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EMS EUROPEAN CURRENCY UNIT RATES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

FORWARD RATES AGAINST STERLING

MONEY MARKETS

UK rates firmer

LONGER TERM rates rose slightly in London yesterday after the Bank of England cautioned against any early decline in bank base rates. In its quarterly bulletin, the Bank suggested that it is still too early to see the full effects of current interest rate levels on the economy, and urged Mr Lawson, the Chancellor, to err on the side of caution in the Budget next month.

The key three-month interbank rate edged up to 13⅛-12⅞ per cent from 13-12¾ per cent, while the one-year rate was higher at 12¾-12⅝ per cent from 12⅝-12½ per cent.

The Bank of England forecast a shortage of around £800m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of late assistance draining £684m. There was also a rise in the note circulation of £410m, and banks brought forward balances £15m below target.

The authorities gave assistance in the morning of £726m through outright purchases of eligible bank bills; £480m in band 1, £170m in band 2, £74m in band 3 and £2m in band 4, all at unchanged rates.

Further assistance was given in the afternoon of £80m through outright purchases of eligible bank bills in band 1 at an unchanged rate of 12⅞ per cent.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE INDEX FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

FT GUIDE TO WORLD CURRENCIES Every Tuesday in the FT

LONDON TRADED OPTIONS

BRITISH PETROLEUM took all the honours in the number of contracts handled in individual stocks on the traded options market yesterday, though the number of bargains struck in it did not rank in the top five. Trusthouse Forte gave it some competition, on more than twice as many bargains, and less than half the number of contracts. Amstrad, BAT Industries, British Steel and Unilever all found more than 1,000 contracts.

Turnover in the FT-SE 100 index option reached 9,117 contracts, consisting of 4,439 calls and 4,678 puts. The index itself *lost 23.0 points on the day, to end* at 2,058.1, though support for it came from quotations in it on the London International Financial Futures Exchange — in spite of some fear among traders of an imminent unwinding of a position taken up lately.

Business in BP lay in 3,608 call contracts and 1,754 put, in a total of 5,362, almost one-seventh of the total, but only 48 bargains were traded, to give an average size to each of 111.7 contracts, with each contract worth 1,000 shares. The underlying price of the stock fell 1p to 274p.

Dealings in the option were dominated by 3,460 contracts in the April 280 calls, leading to a closing of open interest of 1,727 contracts to 5,283, on the early count, and an overall closing of interest in the calls of 1,886 contracts to 23,650. There was also some closing of interest on the put side, of 305 to 24,845, with the biggest trading seen in the April 260s, dealings of 909 in which left the number of exerciseable contracts 325 contracts lower, at 2,630.

Trusthouse attracted 2,107 calls – including particularly opening of interest in the March 230 calls – and only 139 puts. Amstrad had call contracts of 676 and put of 1,169, with particular opening of interest in the March 180 puts, in which came to over 1,000. The number of exercisable contracts in the series jumped to 1,535 contracts from 577. BATs found 1,663 contracts, British Steel 1,204 and Unilever 1,015.

WORLD STOCK MARKETS

NEW YORK (Closing)

[illegible]

CANADA (Closing)

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

INDICES

NEW YORK — DOW JONES

	Feb 9	Feb 8	Feb 7	Feb 6	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2323.04	2343.21	2347.14	2321.07	2347.14 (7/2/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.56	89.62	89.46	89.32	91.25 (3/3/88)	86.12 (4/1/88)	—	—
Transport	1068.89	1076.16	1087.97	1084.73	1087.97 (7/2/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	188.00	190.14	190.85	189.19	191.15 (24/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High (2369.29) Low (2332.86)

STANDARD AND POOR'S	Feb 9	Feb 8	Feb 7	Feb 6	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite‡	296.06	298.65	299.63	296.04	299.63 (7/2/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	342.16	345.31	346.41	342.48	346.41 (7/2/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	26.94	27.18	27.24	26.72	27.24 (7/2/89)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	166.13	167.69	168.02	166.19	168.02 (7/2/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	325.36	327.23	326.38	324.48	327.25 (8/2/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	406.39	407.97	409.19	406.00	409.19 (7/2/89)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Feb 3	Jan 27	Jan 20	year ago (approx.)
Dow Industrial Div. Yield	3.45	3.46	3.59	3.63

	Feb 8	Feb 1	Jan 25	year ago (approx.)
S & P Industrial div. yield	3.05	3.05	3.12	3.09
S & P Indl. P/E ratio	13.85	13.79	13.40	16.29

TRADING ACTIVITY — ‡ Volume Millions

	Feb 9	Feb 8	Feb 7
New York	224.220	189.420	217.260
Amex	11.520	12.637	14.780
OTC	146.680	152.729	156.914

NEW YORK	Feb 9	Feb 8	Feb 7
Issues Traded	1,953	1,961	1,957
Rises	504	732	1,096
Falls	996	729	410
Unchanged	453	500	451
New Highs	70	149	151
New Lows	9	7	10

CANADA

TORONTO	Feb 9	Feb 8	Feb 7	Feb 6	1988/89 High	1988/89 Low
Metals & Minerals	3505.9	3551.9	3554.9	3564.9	3564.9 (6/2/89)	2238.7 (8/2/88)
Composite	3652.1	3696.1	3679.7	3661.8	3696.1 (8/2/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1819.19	1850.44	1842.23	1831.50	1850.44 (8/2/89)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Houston Inds	1,284,500	28	− ¼	Navistar	2,365,800	6½	—
Philadel Elect	0,607,100	20⅝	—	Texaco	2,353,100	50	+ ¼
Allied Signal	0,359,100	35	− ¼	AT&T	2,063,800	31⅝	− ¼
Pan Am	4,236,300	3⅞	+ ½	Sw Pub Svc	2,015,900	26⅞	− ½
First Union	2,789,900	22½	+ 1	Burlington	1,986,800	46¼	+ ½

Base values of all indices are 100 except NYSE All Common — 50; Standard and Poor's — 10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 10	Feb. 9	Feb. 8	Feb. 7	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1509.0	1513.6	1501.3	1492.0	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	689.5	690.7	683.0	678.9	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	238.20	237.52	236.88	234.90	238.20 (10/2/89)	163.90 (11/2/88)
BELGIUM						
Brussels SE (1/1/80)	5834.01	5813.71	5791.01	5775.40	5834.01(10/2/89)	3608.35(4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	291.83	291.57	289.88	289.65	291.83 (10/2/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	772.4	767.6	761.2	756.8	772.4 (10/2/89)	530.6(15/1/88)
FRANCE						
CAC General (31/12/82)	454.1	(u)	456.4	452.0	457.1(3/2/89)	251.3 (29/1/88)
Ind. Tendance(30/12/88)	106.7	(u)	107.5	106.3	108.1(3/2/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	566.84	567.33	569.27	564.44	569.27(8/2/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1693.7	1695.8	1701.2	1687.0	1705.6(5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1353.22	1347.42	1359.88	1344.94	1371.10(5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	3184.16	3209.96	(c)	(c)	3209.96 (9/2/89)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	579.08	579.97	580.49	578.33	615.89 (17/1/89)	423.91 (9/2/88)
JAPAN						
Nikkei (16/5/49)	32131.99	32078.43	32066.12	31880.6	32131.99(10/2/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2485.71	2489.07	2490.07	2472.30	2490.07(8/2/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	308.3	310.1	310.7	307.7	310.7 (8/2/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	270.8	271.4	272.7	270.9	272.7 (8/2/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	547.28	549.07	547.33†	543.79	549.44 (30/1/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1156.04	1156.39	1151.80	(c)	1177.87 (8/8/88)	833.60(4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1372.0‡	1378.0	1359.0	1334.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	2246.0‡	2246.0	2216.0	2183.0	2246.0 (9/2/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	279.26	279.56	279.59	279.86	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3657.4	3635.4	3623.0	3594.7	3657.4 (10/2/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	644.0	640.6	638.1	629.9	644.0 (10/2/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	516.6	516.6	514.5	516.6 (8/2/89)	401.0 (21/1/88)

‡Subject to official recalculation. †Corrected Index.

Base values of all indices are 100 except Brussels SE and DAX — 1,000 JSE Gold — 255.7 JSE Industrials — 264.3 and Australia, All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

WORLD STOCK MARKETS

Europe's new year sheen fades as dollar muddies short-term outlook

THE NEW year is a mere six weeks old, but harsh experience has already robbed continental Europe's equity markets of the innocent enthusiasm with which they greeted 1989.

The unexpected strength of the dollar, and the consequent round of European interest rate rises, has combined with a weighty shift of sentiment towards the UK and the US to leave many continental bourses looking a little ragged at the edges – a striking contrast with their triumphant outperformance last year.

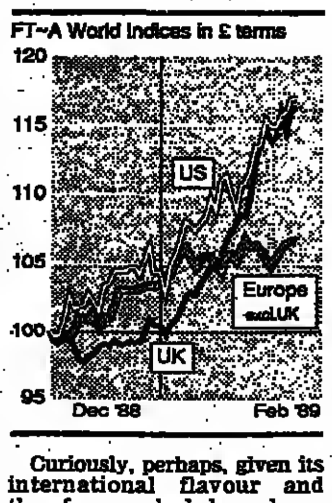
A month and a half may seem too short a time to draw conclusions about performance for the rest of the year. But these are the historically significant months of January and February. Looking at performance in 18 markets over the past six years, Warburg Securities has found that gains in January represent on average 17.7 per cent of the year's overall rise, while February accounts for 12.6 per cent.

This year, those 18 markets rose by an average of 6.8 per cent in January – compared with a figure of 3.7 per cent for the previous six years by Warburg's calculations. Picking the stocks and markets most likely to outperform for the rest of 1989 could be more important than ever, especially for those who missed that global January rally.

The task is not made easy by a sharp divergence of views among analysts who follow continental Europe.

Much depends on their perception of the US economy and therefore the dollar. The dollar's strength has, until recently at least, underpinned Wall Street stocks, and that in turn supports the continental markets. But, says Phillips & Drew, "investors must continue to question the security of an equity boom which depends so crucially on a currency still liable to violent fluctuations of sentiment." The dollar's jitters over President George Bush's budget speech this week are the latest illustration of that volatility.

FT-A World Indices in £ terms



Curiously, perhaps, given its international flavour and therefore marked dependence on Wall Street, the Netherlands is the one continental market almost everyone likes. "There seems to be very little inflationary pressure coming through in the Netherlands," says Mr Ian McCafferty, European economist at Baring Securities. "From the domestic point of view, therefore, there is less worry about interest rate rises than in many other markets." Last year's corporate tax cuts, potential earnings growth and relative cheapness make it attractive, say supporters, although some are wary about the Wall Street link.

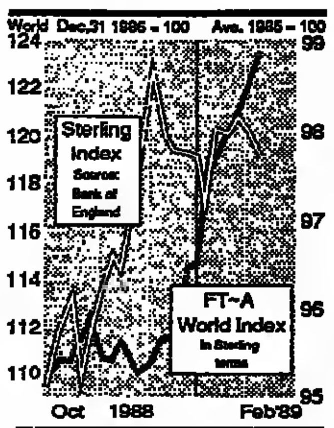
The Netherlands is often seen as a proxy for West Germany and can be popular when the latter is out of favour, as it is at the moment on a short-term basis. Many analysts, however, put Germany at the top of long-term buy lists.

The immediate worries in Germany are inflation – which Phillips & Drew believes could reach 3.6 per cent by the end of the year from 2.6 per cent now – and further rises in interest rates, which "do not have the same pleasant connotations [in Germany] as they seem to have in the US." There are also fears of further big rights issues.

Prospects appear brighter for the second half, with continued demand for capital goods an added bonus. "By the autumn, some of the current tensions affecting currency markets and interest rates should have abated," says Mr Paul Wietzel of Swiss Bank Corporation Stockbroking. "The market in Germany will be looking to tax cuts in 1990 and a resumption of growth."

The dollar also poses a dilemma for the French market, with further gains in the US currency likely to fuel German interest rate rises and put pressure on France to follow suit, while a fall could push the D-Mark higher and weaken the franc within the European Monetary System. The market has already risen about 9 per cent this year after outperforming last year, and is regarded by some as expensive.

France also has vehement backers, however, such as Mr Daniel Bethlehem, BZW's European equity strategist, who describes it as "the pick of the markets at both three months and 12 months." He believes the negative factors will not seriously damage equities, which should be fuelled



by strong economic and corporate earnings expectations for 1988 and 1989, the prospect of more corporate activity and speculation, and strong institutional liquidity.

The other big European markets, Switzerland and Italy, bring out sharply divergent views. Interest rates and inflation are a concern in Switzerland, and the Nestlé affair – in which the company opened its registered shares to foreigners last November – still hangs over a market which some strategists find "baffling". But Warburg is enthusiastic: "It is surely time now to look into good longer term value: Switzerland was cheap before the Nestlé saga; it is cheaper now."

Italy's current political and budget tensions should steer investors away, according to some analysts. But others see good value and strong earnings winning out. According to Mr Martyn Page, European equity strategist at Ark Securities: "Investors may think that 'Italy is always Italy,' but there are signs of improvement in such endemic problems as over-reliance on monetary policy and the acceptance of corruption and inefficiency in the state sector. Such signs have not really been taken on board by domestic or international investors."

Among the smaller bourses, rapid climber Sweden is still popular, at least in the short term, although Kleinwort Benson is unhappy about "wage settlements of 8 per cent, inflation running at 6 per cent, corporate earnings growth falling, and new rules for investments in foreign securities"; Spain is "extremely interest rate-sensitive" and could drift in the short term, but looks good in the longer term provided investments are selective (James Capel); and Belgium either "continues to look excellent" (Baring Securities), or is unlikely to rise strongly "unless there is another holding company break-up" (Ark).

There are, then, a lot of short-term danger zones, with brokers seeing "$" warning signs every time they blink. But many European markets are also thought to hold longer term potential, based on continued economic and corporate profits growth and institutional liquidity, as well as new moves in the takeover game – all provided the economic news from the US is good.

Alison Maitland

AMERICA

Interest rate rise triggers Dow fall

Wall Street

A SHARP increase in long-term interest rates yesterday sent stock prices heading downwards, although bargain-hunters soon came in and helped arrest the slide, *writes James Buchan in New York.*

Tumbling blue chip stock prices took the Dow Jones Industrial Average down almost 18 points in the first quarter-hour of trading. Continued buying interest, however, which has underpinned the equity market through a week of bearish news, helped prices pick up before dipping again. At 1.30 pm, the Dow stood at 2,303.57, down 19.47.

The early sell-off in stocks was precipitated by a sharp rise in long-term interest rates in response to new inflationary fears. Long-term Treasury bond investors were stunned by a report, published by the Labor Department during the morning, which showed a 1 per cent rise in producer prices in January.

This increase was more than twice as high as most economists expected and implies an annual inflation rate of 12.7 per cent, which would more than wipe out any Treasury bond income. The report, launched into a market demoralised by an unsuccessful auction of new bonds on Wednesday and Thursday, sent bond prices down almost a point in early trading.

By 1 pm, all three of this week's new issues were carrying substantial losses, with the new 8⅞ per cent 30-year bond yielding 9.033 per cent. There was renewed talk that the Federal Reserve will consider raising the discount rate, a key short-term interest rate in controls, to curb inflationary expectations.

However, there was no clear sign that the Fed was nudging up short-term market rates. Federal Funds, the overnight rate at which banks lend to one another, was trading at 9⅜ per cent, up only 1/16 of a percentage point on the opening.

In contrast to bonds, the expectation of yet higher interest rates put new life in the dollar. The currency came under intense pressure after President George Bush's budget speech, because the market has been sceptical about the new Administration's ability or willingness to cut the budget deficit. But by early afternoon, the dollar was up nearly 2 yen and 3.5 pfennigs at Y128.85 and DM1.8715.

Among blue chips, International Business Machines was down $⅝ at $126, Ford fell $⅜ to $54¼, General Motors dropped $⅝ to $90⅜ after going ex-dividend, Dow Chemical slipped $1⅛ to $96½ and Philip Morris slid $1 to $108.

Xerox was one of the few big issues defying the downward trend. The stock gained $1⅞ to $65⅝ on speculation of a possible restructuring and unconfirmed rumours that Sir James Goldsmith, the Anglo-French investor, was accumulating a stake.

Pan Am, which has also been the subject of speculative interest, rose another $⅛ to $4, while Texas Air, which reported heavy losses on Thursday, fell $⅝ to $13⅝. Navistar, which was also heavily traded, was down $⅛ at $6⅛.

Canada

DISAPPOINTMENT at US President George Bush's budget message on Thursday sent share prices tumbling in early Toronto trading.

The composite index sank 33.8 to 3,618.3 on volume of 6m shares.

Noverco, which reported higher earnings, was unchanged at C$11⅛.

ASIA PACIFIC

Late rebound reverses steady slide

Tokyo

CAUTION prevailed for most of the session yesterday and shares edged lower until a late rebound took the Nikkei average to another record close, *writes Michiyo Nakamoto in Tokyo.*

The steady downtrend left the Nikkei 83.29 lower an hour before the end of the session, although lively trading in specific stocks helped maintain a strong undertone. Then, just before the close, the Nikkei bounced back to finish at a record 32,131.99, up 53.56 and the high of the day. The low was 31,963.55.

Declines outnumbered falls by 556 to 364 while 160 issues were unchanged. Turnover fell to 1.37bn shares from the 1.5bn traded on Thursday. The Topix index of all listed shares lost 3.36 points to 2,485.71 and in London the ISE/Nikkei 50 closed 2.30 up at 1,994.76.

"Buying interest is extremely strong," remarked an analyst at Yamaichi Securities who pointed out that the Nikkei had reached a new high in spite of expectations that it would take a rest.

The weaker tone during the day was attributed largely to concern about the political impact of the Recruit Cosmos share sale scandal on the ruling Liberal Democratic Party (LDP). There is a possibility that the LDP could find itself under increasing pressure to dissolve the Lower House of the Diet (Parliament) should it lose in the forthcoming Upper House by-election in Fukuoka, scheduled for Sunday.

In addition, "the market was just tired," said one analyst. The sudden and rather mysterious burst of energy towards the close was variously attributed to Friday "window dressing" and arbitrage activity between the futures and cash markets. Investment trusts are said often to try to raise prices on the last day of the week as the closing price on Friday determines fund trust prices.

There was a sharp rebound in construction stocks, which dominated the most actives list. Fujita, top of the list with 90.5m shares, surged Y170 to Y1,570. Its outstanding strength appears to have stemmed in part from speculation that investment trusts were buying the issue to shore up their profits. Nishimatsu was the second most active stock with 53.2m shares, rising Y130 to Y1,510, while Sato Kogyo was third with 49.6m shares, gaining Y200 to Y2,360.

Interest has focused on construction companies that are strong on civil engineering since plans to build three bullet train lines and new highways were announced.

The OSE average in Osaka closed down 37.04 at 30,422.40. Turnover at 153.6m was little changed from Thursday.

Roundup

PRESIDENT George Bush's budget presentation and the overnight fall on Wall Street undermined Asia Pacific markets, although Singapore fought back later in the day.

HONG KONG slipped as profit-taking and Wall Street losses eroded Thursday's large advance. The Hang Seng index fell 25.8 points to 3,184.16. Turnover was HK$2.49bn compared with HK$2.69bn on Thursday.

HongKong Bank topped the active list, ending unchanged at HK$7.50. Hang Seng Bank rose HK$1.25 to HK$34.

AUSTRALIA closed lower in quiet trade. The All Ordinaries index fell 4.5 to 1,509.0. Turnover, in spite of solid options-related trading, was low at A$119.27m.

Hanimex jumped 60 cents to A$3.80 in response to news of its sale by parent Chase Corp.

SINGAPORE finished mixed after a day of hectic trading, although the underlying tone was firm and there was some late buying. The Straits Times industrial index, which fell 8.02 points in early dealing, recovered to close 0.35 lower at 1,156.04. Turnover hit a six-month high of 84.4m shares from Thursday's 62.2m.

SOUTH AFRICA

PROFIT-TAKING and a slight recovery in the financial rand left Johannesburg slightly easier, as the market paused for breath after its recent rise.

EUROPE

US news produces jittery trading

PRESIDENT George Bush's budget speech, coupled with high US producer prices for January, caused some jitters in Europe yesterday, but there was no clear trend to trading, *writes Our Markets Staff.*

FRANKFURT began nervously but picked up on continued interest in second-line stocks and selective buying of blue chips. Volume was modest at DM3.52bn and the FAZ index at midsession reflected the early weakness with a 0.49 loss to 566.84.

The DAX ended up 5.8 at 1,333.22 after the market took comfort from the weaker dollar, which calmed fears of higher interest rates.

Chemical stock BASF topped the active list and rose DM4 to DM302 amid rumours that it was about to announce its results earliar than expected and would report a 54 per cent increase in fourth quarter pretax profits.

Construction stock Holzmaun gained DM26.80 to DM634.80 – the sector has been popular recently because of speculation about its property assets. Porsche climbed DM18 to DM745, as it pursued gains of the past few sessions on investors' rerating of the stock. Linotoype, the typesetting company, rose DM15 to DM682; it said its 1988 net profit had risen to more than DM50m from DM41.5m in 1987.

PARIS had a volatile and active session, tracking the dollar and developments on Wall Street. A midday recovery was knocked by the US producer price figures, but shares then regained some ground in line with Wall Street.

The OMF 50 index ended 3.22 easier at 473.08 and the CAC 40 was off 3.65 at 1,690.15. The opening CAC General index was off 3.4 at 454.1. Volume was estimated at a busy FFr2.75bn.

Eurotunnel was the most active stock, closing FFr3.90 lower at FFr85 after hitting FFr82 as 2.8m shares changed hands, one dealer said. The fall was sparked by news of the delay in the tunnel's completion date.

Peugeot was boosted FFr39 to FFr1,655 on heavy volume of about 200,000 shares by news of its 7.7 per cent rise in 1988 car sales in France and by bullish press articles pointing to the stock's relative cheapness.

AMSTERDAM dropped on Wall Street's early slide, which followed the US producer price rise for January. The CBS tendency index lost 1 to 164.8, with NMB bank falling Fl 4.50 to Fl 208 on profit-taking following its merger-inspired rise on Thursday.

Unilever rose 30 cents to Fl 131.30, the day's high, after its $1.55bn acquisition of Fabergé and Elizabeth Arden.

STOCKHOLM had a quiet day following a frenzied spell on Thursday evening after the market had shut, caused by speculation that three state pension funds would be allowed to invest in equities.

The speculation turned out to be based on a reference to the pension funds by Mr Erik Asbrink, secretary of state at the finance ministry, at a question and answer session with the parliamentary financial committee and bankers and economists on Thursday. Swedish stocks that are widely traded abroad benefited overnight from the rumours and Volvo reached SKr439 at Thursday's close in New York.

The Swedish market itself, however, disregarded the speculation and traded quietly early on before rising to a higher close. The Affärsvärlden index finished 5 up at 1,077.0.

Volvo, which announced it had won a SKr800m engine order from American Airlines, saw its free B shares close SKr13 up from Thursday's Stockholm finish at SKr429.

ZURICH recovered from a weak opening to close mixed to slightly higher. The Crédit Suisse was up 2.5 at 543.9. Chemical issues were strong, with Ciba Geigy registered shares adding SFr100 to SFr2,465.

MILAN recovered slightly near the close but not enough to offset earlier losses. Investors showed little buying interest before next week's options expiry day and the end of the monthly account. The Comit index close 0.89 down at 579.06.

MADRID closed mixed in weak trading with the general index off 0.3 at 279.26.

Banco Hispano-Americano rose 14 points to 749 per cent of par following announcements by the bank that its 1988 profits rose sharply to Pta32.6bn from Pta1.54bn and that its shares will start trading in Switzerland from February 14.

BRUSSELS ended mostly firmer with active trading confined to a limited number of shares. The cash market index closed 20.31 np at 834.01.

FN, the troubled arms manufacturing subsidiary of Société Générale, was suspended so it could make a statement about a recent $110m order from the US order.

HELSINKI rose eharply in active trading to reach an all-time high. The Unitas all-share index rose 4.8 to 772.4 to pass the previous record set on August 8.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY FEBRUARY 9 1989					WEDNESDAY FEBRUARY 8 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	152.27	+0.4	128.63	114.14	4.69	151.71	129.00	113.21	157.12	91.16	93.44
Austria (18)	95.74	+0.9	80.88	92.47	2.66	94.90	80.69	92.30	100.00	83.72	85.46
Belgium (63)	135.12	+1.1	114.14	130.28	3.95	133.61	113.62	129.99	139.89	99.14	114.64
Canada (125)	135.33	−1.0	114.32	115.98	3.16	136.65	116.20	117.36	137.27	107.06	110.27
Denmark (39)	158.03	+1.2	133.50	155.39	1.95	156.13	132.77	154.81	161.60	111.42	115.42
Finland (26)	145.02	+1.8	122.51	130.68	1.34	142.41	121.10	129.08	145.02	106.78	112.62
France (131)	119.98	+0.4	101.36	119.09	2.73	119.56	101.67	119.47	119.98	72.77	81.60
West Germany (102)	86.30	+0.2	72.90	83.41	2.27	86.11	73.22	83.80	90.40	67.78	72.92
Hong Kong (45)	133.77	+3.4	113.00	133.91	3.55	129.37	110.01	129.55	133.77	84.90	86.64
Ireland (17)	138.75	+0.7	117.21	136.19	3.76	137.79	117.17	136.29	144.25	104.60	107.47
Italy (98)	79.72	+0.5	67.35	80.68	2.50	79.30	67.44	80.78	86.88	62.99	64.89
Japan (456)	196.10	+0.8	165.66	159.29	0.47	194.46	165.36	159.36	197.43	133.61	149.01
Malaysia (36)	158.66	+0.4	134.04	166.70	2.57	158.06	134.40	166.06	158.66	107.83	109.33
Mexico (13)	165.00	+0.0	139.39	418.35	1.22	164.97	140.28	418.64	182.24	90.07	147.78
Netherland (39)	114.46	+0.3	96.69	109.65	4.53	114.12	97.04	110.11	115.04	95.23	98.11
New Zealand (24)	74.39	+0.0	62.84	64.43	6.11	74.38	65.25	64.15	84.05	63.32	67.09
Norway (26)	160.46	+0.6	135.55	146.52	1.86	159.54	135.67	146.60	161.54	98.55	102.20
Singapore (26)	142.97	+0.9	120.78	126.89	2.10	141.75	120.54	125.75	142.97	97.99	100.84
South Africa (60)	128.11	+0.2	108.22	112.02	4.22	127.85	108.72	110.68	139.07	98.26	119.88
Spain (42)	147.29	+0.9	124.43	128.99	3.68	145.97	124.12	128.77	164.47	130.73	134.42
Sweden (35)	150.69	+1.0	127.30	141.04	2.14	149.17	126.84	140.44	150.69	96.92	108.56
Switzerland (57)	76.79	+0.4	64.87	75.17	2.26	76.51	65.06	75.44	86.75	74.13	78.09
United Kingdom (314)	152.43	−0.1	128.77	128.77	4.21	152.54	129.71	129.71	152.54	120.66	125.87
USA (568)	120.53	−0.8	101.82	120.53	3.57	121.56	103.37	121.56	121.90	99.19	104.50
Europe (1007)	120.76	+0.2	102.01	109.89	3.47	120.49	102.46	110.40	120.76	97.01	99.36
Nordic (126)	146.25	+1.1	123.55	134.06	1.96	144.61	122.97	133.45	146.25	98.11	105.68
Pacific Basin (676)	191.61	+0.9	161.87	156.08	0.68	189.95	161.52	156.01	192.26	130.81	144.42
Euro-Pacific (1683)	163.26	+0.7	137.92	137.71	1.52	162.16	137.90	137.86	163.26	120.36	126.41
North America (693)	121.32	−0.9	102.49	120.27	3.54	122.37	104.06	121.33	122.73	99.78	104.81
Europe Ex. UK (693)	101.26	+0.5	85.55	98.18	2.83	100.78	85.70	98.41	102.91	80.27	82.90
Pacific Ex. Japan (220)	137.68	+1.3	116.31	115.47	4.18	135.87	115.54	113.65	137.68	87.51	89.13
World Ex. US (1881)	161.94	+0.6	136.81	136.87	1.59	160.94	136.85	137.04	161.94	120.26	125.81
World Ex. UK (2135)	145.38	+0.2	122.81	131.60	1.97	145.08	123.37	132.01	145.38	111.77	116.74
World Ex. So. Af. (2389)	146.10	+0.2	123.42	131.46	2.17	145.84	124.02	131.93	146.10	113.26	117.53
World Ex. Japan (1993)	121.92	−0.3	102.99	116.68	3.55	122.34	104.03	117.36	122.34	100.00	102.47
The World Index (2449)	145.99	+0.2	123.33	131.33	2.18	145.73	123.92	131.78	145.99	113.37	117.54

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).

CONSTITUENT CHANGE: RJR Nabisco (U.S) was deleted on Feb.9. Latest prices were unavailable for this edition.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

Corporation and County Stocks

No. of bargains included 5

Greater London Council 6¼% Stk 90/92 - £88¼ 9½
Bristol(City of) 11½% Red Stk 2008 - £105♦
Glasgow Corp 3½% Irrd Stk - £25 (6Fe89)
Leeds(City of) 13¾% Red Stk 2006 - £124
Leeds Corp 3% Deb Stk 1927(or after) - £25 (6Fe89)
Liverpool Corp 3% Red Stk 1942(or after) - £28 (7Fe89)
Manchester(City of) 11.5% Red Stk 2007 - £108♦
Merton(London Borough of) 11¼% Red Stk 2017 - £107♦
Newcastle-Upon-Tyne(City of) 11¼% Red Stk 2017 - £105♦
Sunderland(Borough of) 11¼% Red Stk 2008 - £100♦

UK Public Boards

No. of bargains included 3

Agricultural Mortgage Corp PLC 6½% Deb Stk 85/90 - £92¼ (7Fe89)
7¼% Deb Stk 91/93 - £87 (7Fe89)
10½% Deb Stk 92/95 - £101¼
Metropolitan Water Metropolitan Water 3% A Stk 63/2003 - £46 (3Fe89)
Port of London Authority 3% Port of London A Stk 29/99 - £49♦
8½% Stk 49/99 - £52 (8Fe89)

Foreign Stocks, Bonds, etc-(coupons payable in London)

No. of bargains included 18

Rio De Janeiro(State of)Brazil 5½% Cnv(Stlg Ln Bds)(A-now 1½%) - £85 (8Fe89)
7% Stlg Ln 1927(Plan A -now 2¼%) - £15 (8Fe89)
Abbey National Building Society 11½% Nts 1995 (Br£1000,10000&100000) - £101⅝ 2 (7Fe89)
ASDA Group PLC 9½% Bds 2002 - £90⅝ ¾ (3Fe89)
BTR PLC 4½% Cnv Sub Bds 1995(BrEC1000&10000) - EC117⅝
Nova Scotia(Province of) 11¾% Ln Stk 2018 - £114 4 ⅛ ½ ¾
16¼% Ln Stk 2011 - £153⅜
Petroleos Mexicanos 14½% Ln Stk 2006 - £96½ 8½
Portugal(Rep of) 9% Ln Stk 2016(Reg) - £88⅝♦
9% Ln Stk 2016(Br) - £88⅝ (8Fe89)
Province de Quebec 12¾% Ln Stk 2020 - £119⅝♦
Spain(Kingdom of) 11¾% Ln Stk 2010(Reg) - £114½
9¾% Ln Stk 2014(Reg) - £99⅝
13.5% Ln Stk 2010(Reg) - £131 ⅛ ¾
United Mexican States 16½% Ln Stk 2008(Reg) - £119 (6Fe89)

Banks and Discount Companies

No. of bargains included 2476

Barclays PLC ADR (4:1) - $33.45♦
Barclays Bank PLC 7¾% Uns Cap Ln Stk 86/91 - £91¾
8¼% Uns Cap Ln Stk 88/93 - £90 ¾
12% Uns Cap Ln Stk 2010 - £112⅜
16% Uns Cap Ln Stk 2002/07 - £136⅝ ¾
Barings PLC 9% Cum 2nd Prf £1 - 93½ 4 (8Fe89)
Co-Operative Bank PLC 9.48% Cum Red Prf 2013 £1 - 101½
GPG PLC 4.2% Cum Prf £1 - 58 (3Fe89)
Lombard North Central PLC 6% Cum 1st Prf £1 - 60 1
5% Cum 2nd Prf £1 - 48 (8Fe89)
Midland Bank PLC 7½% Subord Uns Ln Stk 83/93 - £88½ (8Fe89)
10¾% Subord Uns Ln Stk 93/98 - £101½ 2½
14% Subord Uns Ln Stk 2002/07 - £120⅝ 1 ⅝ (8Fe89)
National Westminster Bank PLC ADR (3:1) - $32.47 (8Fe89)
7% Cum Prf £1 - 67♦
9% Subord Uns Ln Stk 1993 - £92
12½% Subord Uns Ln Stk 2004 - £114¼
Royal Bank of Scotland Group PLC 11% Cum Prf £1 - 116¼♦
Standard Chartered PLC 12¾% Subord Uns Ln Stk 2002/07 - £111⅝ (8Fe89)
Sumitomo Bank LdShs of Com Stk Y50 -

Breweries and Distilleries

Registered Housing Associations

Commercial, Industrial, etc

Corporation Stocks - Foreign

Sterling Issues by Overseas Borrowers

Insurance

Investment Trusts

Financial Trusts, Land, etc

Unit Trusts

Mines - Miscellaneous

Mines - South African

Oil

Property

Plantations

Railways

Shipping

Utilities

Water Works

South Staffordshire Waterworks Co 4.9%(Fmly 7%)Ord Stk Class A - £900 (6Fe89)
4.9%(Fmly 7%)Ord Stk Class B - £900 (7Fe89)
3.5%(Fmly 5%)Ord Stk - £900
3.5%(Fmly 5%)Cons Prf Stk - £900♦
4.9%(Fmly 7%)Red Prf Stk 88/90 - £95 (6Fe89)
4% Perm Deb Stk - £35♦
West Kent Water Co 2.8%(Fmly 4%)Prf 210Pre 1946(Vtg) - £300 (8Fe89)

USM Appendix

The Third Market Appendix

Rule 535(2)

Regent Mining 4
Sappi Ltd 480 (6/2)
Singapore Land 250♦ (6/2)
Sky Line Explorin £45
Strategic Minerals Corp A$0.48♦ (7/2)
Sun Electric Corp $13⅞ (3/2)
United Overseas Land S$1.81438
Valiant Consolidated 2 (3/2)
Vulcan Minerals 29 (7/2)
Westfield Minerals C$1.66 (3/2)
Windsor Industrial Corp. HK$10.0414

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LONDON STOCK EXCHANGE

Interest rate nerves upset equities

INTEREST RATE optimism in the UK equity market was shaken yesterday by developments on both the international and domestic fronts. The reaction by the US dollar to President Bush's Budget address and then to the latest US producer prices data unsettled international equities in London, while the broader market flinched as the Bank of England urged caution on UK interest rate and tax policies.

For most of the day, the UK equity market was in thrall to the US currency and Wall Street, falling steeply in the first half of the session, and closing 23 FT-SE points down, well above the day's low.

Account Dealing Dates

*First Dealings:	Jan 30	Feb 13	Feb 27
Option Declarations:	Feb 9	Feb 23	Mar 9
Last Dealings:	Feb 10	Feb 24	Mar 10
Account Day:	Feb 20	Mar 6	Mar 20

*New time dealings may take place from 9.00 am two business days earlier

The market opened sharply lower as London analysts took the view that the Bush Budget proposals left the US budget problems largely unanswered. The rise of 1 per cent in the US producer price index in January rekindled fears that US interest rates may rise. On the home front, London was discouraged by a return to the 13 per cent level in local three month money rates, an indication of reduced expectations of an early cut to UK bank base rates.

At its final reading of 2056.1, the FT-SE Index was down 23 points exactly, having rallied from a low of 2041.4. There was little change in trend after 3.00pm, when the market moved into the new trading Account.

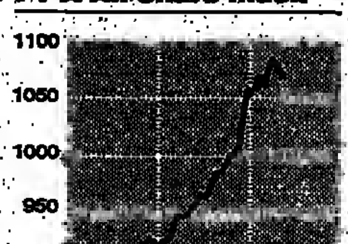
On Wednesday of this week, the FT-SE Index jousted with the 2100 mark with the market still riding high despite widespread expectations of a correction, which began to show itself on Thursday and Friday. The Footsie lost 13.8 over the week but still shows a net rise of 50.2 points over the two week Account.

Yesterday saw 671.4m shares traded through the Seaq system, the great proportion, according to traders, representing inter-market deals. There were unconfirmed reports of trading programmes, but several leading houses were adamant that there had been little "serious selling" from the institutions.

The Bank of England's comments on interest rates, in its Quarterly Bulletin, was seen as a "shot across the bows" of the optimists rather than a change of policy views. Yesterday's currency volatility was regarded as potentially more unsettling. "The UK authorities are not going to cut base rates if the pound is still vulnerable. There are still some Jeremiahs out there on the balance of payments outlook," said one leading analyst.

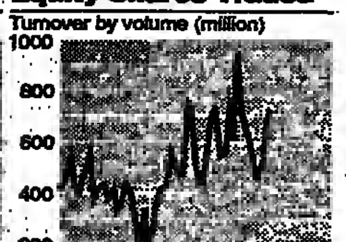
Monday morning will provide the market with a test of its nerve. Important data on consumer spending, in the form of a CBI/FT distributive trades survey and January retail sales figures, will fall on a market grappling with new rules which permit market makers to avoid dealing with their rivals at Seaq screen quotations.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Dalgety searches for names

Dalgety was the centre of attention in the Foods sector after serving a number of Rule 212 notices amid widespread speculation that a major stake had been taken in the company. The story early this week was that Goodman Fielder Wattie, the Australian group, had been buying the stock, but with the shares outperforming a weak market the more informed talk was that Irish meat mogul Mr Larry Goodman had bought 4.9 per cent of Dalgety. Among easier food issues Dalgety held up well, closing a penny lighter at 365p on turnover of 2.5m shares.

One dealer shrewdly pointed out that the broking house which helped Larry Goodman build *his* stakes in *Unigate* (nearly 8 per cent) and S & W Berisford (4.9 per cent), was a big buyer of Dalgety all this week. Mr David Lang, top-rated Foods analyst at Henderson Crosthwaite, was another who favoured the Irish connection; "It would not surprise me at all if Larry Goodman does have a stake," he said.

Mr Lang also remarked that he could see no reason why Goodman Fielder would want a slice of Dalgety at a time when the Australian company was trying to reduce its exposure in the UK. "They have enough on their plate right now with completing the merger with Wattie, rationalising their business and trying to get rid of their stake in Ranks Hovis McDougall. In fact I will say that I will eat my hat in public if Goodman Fielder is revealed to have a stake in Dalgety."

Life support

Abbey Life resisted the downward pull in the life assurance sector, with the shares strongly supported by recommendations from both Hoare Govett and Citicorp Scrimgeour Vickers.

At the close Abbey were little changed at 320p after turnover of 3.1m. In a wide-ranging review of Abbey Life and its prospects following the acquisition of the five businesses from Lloyds Bank, Ms Angela Coad at Hoare Govett said, "the enlarged group is well placed strategically to take advantage of the expanding financial services market."

The Hoare analyst continued: "It has the cash flow to support its expansion and prospects of dividend growth well in excess of the market. These factors are not fairly reflected in the current share price; the shares are undervalued."

Abbey Life is also one of the prime buy recommendations of Paul Kelly at Citicorp. Mr Kelly said Abbey fits Citicorp's criteria of recommending companies which have control over their distribution networks and which have flexibility to respond to the changes in the savings market which any change will cause. "Abbey," according to Mr Kelly, "has an exceptionally attractive income pattern over the next 16 month."

Good BET

City financing specialists yesterday concurred with the market's immediately favourable reception to Thursday's proposal by BET to issue $500m of variable rate preference in the US. Several issued buy recommendations for BET shares, with Mr Andrew Page of County Nat West WoodMac describing it as, "an innovative and sophisticated refinancing package", designed to finance expansion and avoid earnings per share (eps) dilution. It should help the stock outperform the market, Mr Page added.

Nomura Research believes negative sentiment towards BET should wane but warns that the issue *alone* may not prompt a serious re-rating or even correct the share price underperformance of the past year. "For this to occur", said analyst, Mr Charles Pick, "the market will require either a bullish story as regards eps growth prospects or a fuller conviction that the strategy of focussing upon support services is a valid one."

Investors appeared to lean towards Mr Page's view, for, despite the general weakness in equities, BET shares held steady at 267p.

Pleasant aroma

Market analysts took a highly favourable view of the $1.55bn acquisition of Faberge by Unilever, returning from the meeting with executives of the consumer conglomerate with praise for the group's strategy. "It is a very good deal for Unilever", said Mr Les Pugh of Salomon Inc. "It reinforces our expectation that *Unilever can achieve 3 per cent* annual growth over the long term – a growth rate at odds with the current share rating".

With the market also well pleased with the price paid for Faberge, which was substantially below analysts' predictions, shares to Unilever stood out strongly against a generally weak trend to an international sector upset yesterday by the gyrations to the US dollar. At 553p, the shares put on 10 on good turnover of 5.5m shares.

Blue chip exporters proved highly vulnerable to the currency markets, falling sharply in response to the early weakness in the US dollar and recouping only a small part of their losses as the US currency rallied on the announcement of US producer prices data.

ICI fell back through the £12 mark, closing 24 off at 1197p, and Glaxo, also a strong feature of past sessions, reacted 13 to 1270p. Beecham, boosted earlier this week by a recommendation from Nomura Securities, closed 11 off at 568p.

Once again, **Consolidated Gold Fields** at 1476p, resisted the trend, rising a further 22 as the market keenly awaited a new bid for the equity from Minorco, recently cleared to do so by the UK Monopolies and Mergers Commission.

A spectacular non-participant in the market fall, **Polly Peck** surged higher with marketmakers generally unable to account for the strength. One suggested a consortium was building up a stake while another said Mr Asil Nadir, who heads the group, was believed to be increasing his already sizeable shareholding.

Analysts were sceptical of both stories and Mr Robert Sassoon of County NatWest WoodMac, who has urged clients to buy the stock for several months, said: "This is probably the accumulative effect of last month's series of US presentations, which went very well, and of brokers' positive views." Turnover rose to 4.7m as several above-average deals were noted in the shares which bounded 16 higher to 351p.

Standard Chartered shares powered ahead during late trading, eventually closing a net 13 firmer at 563p on turnover of 1.8m, with most of the buying coming from two leading securities houses. There were vague stories in the market that Lloyds may be considering renewing its attempt to acquire Standard but most dealers thought this unlikely. Standard is scheduled to announce preliminary figures in March.

"New time" buying triggered another strong performance from housebuilder **George Wimpey** which raced up 6 to 307p on turnover of 3.9m; dealers are expecting another bout of takeover speculation in Wimpey stock.

Next staged a late rally to close 6 better at 156p on turnover of 6.6m shares. Next have been a poor market all week on rumours of overstocking problems, but Mr John Williams, analyst at Citicorp Scrimgeour Vickers, has spoken to the company and found the talk to be unsubstantiated. "Retail stocks are down on last year, Next Directory stocks are manageable, and Grattan stocks are also less than last year," said the analyst. He regards Next as a major recovery situation and rates them a "strong buy."

Sears climbed against the trend to end 3 better at 130p on turnover of 10m shares with dealers noting the presence of a large US buyer in the market. Scottish fashion retailer **Goldberg** advanced 11 to 191p on the news that Charterhall (up ½ at 23½p) had lifted its stake to 29.9 per cent.

Amstrad remained in the headlines, with the shares edging up to 183p at one point before settling a net 1½ harder at 180p on trunover of 6.9m; the shares responded to a report that Tuesday's interim figures, which should approach the £80m mark according to analysts, may well be accompanied by the announcement of a new product line, or lines.

Alphameric shares plummeted to 100p before closing a net 43 off at 102p after the company warned that it is likely to do "no more than break even for the current year." The company, involved in computers and keyboard systems, has been hit by reduced activity in financial and retail markets.

Eurotunnel experienced a rare retreat, falling 15 to 768p, when the company relied to "incomplete rumours in parts of the British press". It suggested that the recent strength of the shares was more a reflection of increasing investors' awareness of the project's potential than of any weekly or monthly reports of drilling progress.

Rank Organisation shares maintained their upward momentum, surging 34 higher to 936p, following reports that Xerox, its US partner whose *shares are unusually strong on* Wall Street, was attracting predatory attention. Names including Lord Hanson and Sir James Goldsmith have been mentioned, along with the possibility of a management buyout.

The move by investors to realise short-term gains put pressure on Publishing favourites including Reed International, 7 lower at 442p, and United Newspapers, 9 off at 440p. Pearson too weakened further after Thursday's share placing, the funds from which enabled the group to increase its stake in Dutch house Elsevier, closing 14 down at 700p.

Properties were off with the wider market, although Control Securities bucked the trend to add 4 at 55½p after Mountleigh (down 4 at 163p) revealed it had increased its stake in the group to 22.7 per cent.

Courtaulds succumbed to the wider market weakness rather than the effects of Hoare Govett's profit downgrading and ended 7 easier at 297½p. Against the trend, John Beales firmed 5 to 250p on a Panmure Gordon "buy" recommendation.

BAT Industries was upset both by the reaction in the dollar and US market downturn. Fairly sizeable selling developed of the shares which finally wiped 11 from the price at 547p.

The energy sector held up well against the market with support forthcoming ahead of the results season which begins next week with fourth quarter results from BP. Kleinwort Benson is forecasting full-year net income of £1.2bn, while Christine Baker at Nomura goes for £1.216bn. Kleinwort expects a final dividend of 8.5p net.

British Petroleum was the most outstandingly active stock in traded options, attracting 5,362 contracts, made up of 3,608 calls and 1,754 puts. Turnover included 3,460 contracts in the April 280 calls alone, some half of which represented closing of interest. Overall market turnover reached the modest figure by recent standards of 38,769 contracts, consisting of 25,772 calls and 12,997 puts.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 9.

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (73). BRITISH FUNDS (3) Treas. 3pc 1989, Conv. 3½pc '61, Treas. 3pc '66, AMERICANS (2) Lockheed, Sara Lee, BREWERS (2) Fuller, S.T.A., Macallan-Glenlivet, BUILDINGS (3) Ashtead Grp., Allwoods, STORES (2) Aquascutum, Lloyds Chemists. ELECTRICALS (6) Ericsson (L.M.), First Tech., Pifco Hldgs., Pelon, Renishaw, UEI, ENGINEERING (2) Castings, Wheway, FOODS (2) Cliffords Foods, Low (Wm.), INDUSTRIALS (19) AAH, AGA AB, AMI Health, BSS Grp., Black (P.), Chamberlain Ph., Grampian Hldgs., Jardine Strategic, Kershaw (A.), Nestor-BNA, Portmeirion Pots., Rank Org., Record Hldgs., Rockwood 8½pc Cv. Pf., Securicor grp., Serco Grp., Swallowfield, Unilever, Whatman Reeve, LEISURE (7) Fairline Boats, Midsummer Leis., TV-am, TVS Ent. 7.4pc Pf., Thames TV, Ulster TV, Zetters, MOTORS (1) Central Motor Auct., NEWSPAPERS (2) Black (A.C.), Bristol Evening Post, PAPERS (4) Gold Greenlees, More O'Ferr., Norton Opax, Wace Grp., PROPERTY (3) Embassy Prop. Grp., Mucklow (A. & J.), Randsworth Tst., SHIPPING (1) Tiphook, TRUSTS (8) Archimedes Inc., Caledonia Invs., Eng. & Int. Wrrnts., Inv. Trust of Guernsey, Rights & Issues Inc., River Plate Zero Div Pf., SPLIT Cap., Scot. Nat. Zero Div Pf., OILS (1) Jebsens Drilling, OVERSEAS TRADERS (3) Polly Peck 9pc Ln., Sime Darby, MINES (3) Cons. Gold Fields, Meekatharra, Malaysia Mng.

NEW LOWS (8). STORES (1) Field (Mrs.), ELECTRICALS (1) Alphameric, INDUSTRIALS (1) CCA Publications, PROPERTY (2) Cussins Prop. Grp., Westfield, TEXTILES (1) Haggas (J.), MINES (2) Randfont'n Est., Blyvoor, THIRD MARKET (1) Comeo Grp.

RISES AND FALLS

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	7	92	10	180	288	77
Corpn. Dom. & Foreign Bonds	0	9	42	21	36	198
Industrials	265	657	641	2,475	2,134	3,320
Financial and Props	69	324	277	943	856	1,557
Oils	12	42	46	113	147	240
Plantations	1	1	10	7	3	50
Mines	26	52	108	207	216	507
Others	28	126	99	344	380	486
Totals	428	1,303	1,233	4,290	4,060	6,435

FINANCIAL TIMES STOCK INDICES

	Feb. 10	Feb. 9	Feb. 8	Feb. 7	Feb. 6	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	89.10	89.25	89.29	88.88	89.00	88.45	91.43 (18/4/88)	86.16 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.37	97.28	97.18	97.08	97.63	94.25	98.67 (25/5/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1680.9	1702.9	1714.7	1694.9	1668.2	1385.0	1714.7 (8/2/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	167.1	168.9	165.2	155.8	165.3	255.9	312.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Dl. Yield	4.34	4.28	4.25	4.31	4.38	4.50				
Earning Yld %(full)	10.86	10.72	10.65	10.80	10.96	11.35				
P/E Ratio(Net)(*)	11.16	11.32	11.39	11.23	11.05	10.76				
SEAQ Bargains(5pm)	40,611	40,492	43,973	33,153	40,423	20,092				
Equity Turnover(£m)†	-	1505.81	1300.88	1250.67	1051.03	956.41				
Equity Bargains†	-	48,646	47,462	35,322	46,400	22,965				
Shares Traded (ml)†	-	714.0	668.5	518.7	454.0	321.5				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1683.3	1688.5	1688.8	1687.8	1685.6	1676.1	1675.5	1679.3

DAY'S HIGH 1689.1 DAY'S LOW 1672.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil 11.11 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Feb.9	Feb.8
Gilt Edged Bargains	114.8	110.2
Equity Bargains	302.2	307.5
Equity Value	3043.2	3033.7
5-Day average		
Gilt Edged Bargains	108.5	101.0
Equity Bargains	285.2	278.9
Equity Value	2721.8	2793.1

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

LEADERS AND LAGGARDS

Percentage changes since December 30 1988 based on Thursday February 9 1989

Shipping & Transport	+ 24.33	Electricals	+ 16.43
Motors	+ 21.15	Electronics	+ 16.41
Building Materials	+ 20.75	Stores	+ 16.17
Health & Household Products	+ 20.36	All Share Index	+ 16.11
Mining Finance	+ 20.02	Brewers and Distillers	+ 16.04
Mechanical Engineering	+ 19.92	Food Retailing	+ 15.36
Chemicals	+ 19.02	Insurance(Composite)	+ 14.93
Other Industrial Materials	+ 18.79	Packaging & Paper	+ 14.67
Publishing & Printing	+ 18.61	Metals & Metal Forming	+ 14.59
Capital Goods	+ 18.17	Contracting,Construction	+ 14.45
Conglomerates	+ 17.88	Financial Group	+ 13.90
Leisure	+ 17.53	Food Manufacturing	+ 13.81
Agencies	+ 17.46	Insurance(Life)	+ 13.20
Other Groups	+ 17.25	Overseas Traders	+ 12.55
Industrial Group	+ 17.23	Textiles	+ 12.52
Banks	+ 16.95	Oil & Gas	+ 11.85
Investment Trusts	+ 16.92	Merchant Banks	+ 10.36
Insurance(Brokers)	+ 16.70	Property	+ 10.29
Consumer Group	+ 16.64	Telephone Networks	+ 9.73
500 Share Index	+ 16.49	Gold Mines Index	+ 3.09

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	109-15	-7/32	10.30	10.30	10.71
	9.750	1/98	100-08	-10/32	9.72	9.71	10.31
	9.000	10/08	100-20	-4/32	8.93	8.95	9.24
US TREASURY *	8.875	11/98	97-29	-18/32	9.20	9.04	9.22
	8.000	11/18	99-11	-23/32	9.06	8.87	9.04
JAPAN No 111	4.600	6/98	98.0130	-0.219	4.81	4.93	4.76
No 2	5.700	3/07	108.4036	-0.317	4.63	4.81	4.76
GERMANY	6.375	11/98	97.2500	-0.050	6.79	6.79	6.64
FRANCE BTAN	8.000	1/94	96.1998	-0.072	8.98	8.55	8.44
OAT	9.500	5/98	103.6500	-0.200	8.96	8.78	8.49
CANADA *	10.250	12/98	100.1250	-0.875	10.22	10.02	10.27
NETHERLANDS	6.7500	10/98	99.0000	-0.075	6.87	6.91	6.76
AUSTRALIA	12.000	7/99	89.9822	-0.785	13.83	13.56	12.80

London closing, *denotes New York morning session

Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Zinc surges above $2,000 a tonne

ZINC TRADED above $2,000 a tonne for the first time ever on the London Metal Exchange yesterday as dealers braced themselves for further reductions in stocks, which are already uncomfortably low.

Special high grade zinc reached closed at $2,025 a tonne, up $97.50 on the day, while the cash price for the more heavily traded high grade metal gained $75 to $1,925 a tonne, also a record. Rises on the week amounted to $120 a tonne for high grade and $100 for special high grade.

With demand continuing strong for galvanised steel for North American car production, the zinc market is highly sensitive at the moment to prospective supply disruptions. Last week the LME cash price for high grade metal fell $74 after labour disputes were settled at Mexican and Finnish plants and at Centromin, the Peruvian state mining company.

But this week supply fears have resurfaced, with the Peruvian national miners' union warning that it would call its members out next month if the Government failed to resolve a series of conflicts in several mines.

Last year the Peruvian mining industry, which normally accounts for about 11 per cent of non-communist world zinc supplies, lost 87 days' production in two protracted strikes, the second of which ended in December.

Peru also supplies about 8 per cent of the western world's copper, but the renewed strike threat had no noticeable impact on that market, where supply tightness has recently been easing. The LME's cash Grade A copper price closed £15 lower yesterday at £1,742.50 a tonne, taking the fall on the week to £80.

Lead prices also came under pressure, reflecting sterling's firmness against the dollar and this year's disappointingly warm European winter (from the car battery makers' point of view). The cash lead price fell £10 this week to £357 a tonne, the lowest closing level since late September.

In contrast the LME cash nickel price gained $885 this week to $18,885 a tonne, as consumer demand picked up and dealers predicted a fall in LME warehouse stocks from recent relatively high levels.

The aluminium market also held steady, in spite of yesterday's announcement by the International Primary Aluminium Institute of an unexpectedly large rise in non-communist world stocks as at the end of December.

News of the 90,000 tonnes stocks rise, which compared with the 50,000 tonnes rise predicted by most analysts, pushed prices down early on. By the close, however, the cash quotation was only $5 down on the day at $2,180 a tonne, $2.50 higher than at the end of last week.

Among the soft commodities cocoa turned in a stronger performance, with the May position on the London futures market rising £26 to a five-week high of £877 a tonne. Dealers said there was no fundamental news to justify the rise, which they attributed to chart-inspired buying. But the advance appeared to have run into resistance around the £880 level, they added.

The London coffee futures market traded in a very narrow range for most of the week before breaking downwards yesterday to end with a net loss of £30 at £1,125 a tonne – the lowest for nearly 9-weeks.

For the past few weeks coffee prices have been propped up by the knowledge that a further substantial fall would mean a cut in export quotas under the International Coffee Agreement. A cut would be triggered if the 15-day average of the International Coffee Organisation's composite daily indicator price fell below 120 cents a lb. On Thursday the average stood at 122.37 cents and the daily price at 122.99 cents. So yesterday's price cut was enough to convince many observers that a quota cut was on the way.

London broker E.D. & F. Man, for one, was already convinced that was the case. In its World Coffee Situation report, published at the end of January, it said: "As we have implied earlier, we expect that there will be two (quota) cuts during January/March, when the 15-day indicator reaches 120 cents per lb ex dock. Initially these may be applied only to robustas but with the weight of mild coffee to come forward and the likelihood that other arabica producers will wish to sell their quota, we feel it will not be long before the other milds indicator reaches the level of 130 cents which will trigger the arabica cut later on."

Man also contributed to the bearish tone of the market with its estimate of coming (1989/90) Brazilian crop. While some recent trade estimates have put this as low as 18m bags (of 60 kg), because of dry weather in major growing areas, Man believes 24m bags is still possible.

Richard Mooney

APPOINTMENTS

Royal Bank of Scotland top posts

■ From March 1 THE ROYAL BANK OF SCOTLAND has made the following appointments. Mr Lewis McGill, executive director, international, becomes executive director, UK banking. He will be in charge of the bank in the absence of Mr Bob Maiden, managing director. Mr John Barclay, senior general manager, UK banking south, becomes executive director, international, and joins the board on April 1. Mr Ken Duncombe, general manager, UK banking Manchester, becomes senior general manager, UK banking south. Mr Tony Schofield, assistant general manager, special duties, will become general manager, UK banking Manchester. Mr Alan Ellis, deputy managing director, retires on March 31, due to ill health.

■ Mr Michael J. O'Riordan has been appointed group marketing director of ITL INFORMATION TECHNOLOGY.

■ DREXEL BURNHAM LAMBERT has appointed Mr Paul Chertkow as managing director and chief economist - international of the international research department. He was managing director of economics at Security Pacific Hoare Govett.

■ SCOTT & ROBERTSON has appointed Sir Robin Duthie as a non-executive director. He is chairman of Britoil.

Mr John Moy (above) has been appointed group finance director of UNITED PRECISION INDUSTRIES, parent company of RHP Bearings. He was finance director for the UK and Northern Europe with Motorola Communications.

■ Mr G.W.M. Orr has been appointed an executive director TERRAPIN INTERNATIONAL, Milton Keynes. He was a non-executive director of the group's parent company, and has also been appointed managing director of its property subsidiary, Bond Estates.

■ BRITISH AEROSPACE (COMMERCIAL AIRCRAFT) has appointed Mr Roger Haggett as managing director of the corporate aircraft division; Mr T. Dewi Rowlands as executive vice president marketing and sales of the airlines division; and Mr W. Gordon Wilson as senior vice president sales international of the corporate aircraft division.

ITN chairman

■ Mr David Nicholas has been appointed chairman and chief executive of INDEPENDENT TELEVISION NEWS. He joined ITN in 1960, and has been editor and chief executive since 1977. This is the first time in the company's 34-year history that a chairman has been appointed from the staff. He is succeeded as editor by Mr Stewart Purvis, who has been deputy editor since 1983.

■ CO-ORDINATED LAND & ESTATES has appointed as non-executive directors Mr Hugh Lang, chairman of P-E International, and Mr Terence Robey, recently retired senior partner of Nabarro Nathanson.

■ VETERINARY DRUG COMPANY has appointed Mr Graham Dickinson as export director, and Mr Peter Sanderson as wholesale division director.

■ Mr Kenneth Rubens and Mr Michael Brilling, both former directors of Property & Reversionary Investments, and Lynton, have formed MYTRE PROPERTY TRUST.

■ Mr Bill Launder, director of production at EUSTON FILMS, a Thames Television subsidiary, has joined the board.

■ Mr Bob Frosell has been appointed information technology director of GRAND METROPOLITAN RETAILING. Also joining the board is Mr Bob Williams, chairman and managing director of Grand Metropolitan Estates.

■ CHARTERHOUSE DEVELOPMENT CAPITAL has appointed Mr A.G. Nellies as director responsible for its Manchester operation. He replaces Mr Bob Hilland, who was on secondment from the Edinburgh office.

Mr Miles Collinge,(above) formerly director of development of the English Tourist Board, has been appointed chief executive of the BRISTOL DEVELOPMENT CORPORATION from May 1.

■ Mr D.G.E. Thomas has been appointed director, Eurodollar division, at BUTLER HARLOW UEDA.

■ Professor Sir Frederick Crawford, vice-chancellor of Aston University, will join the board of BOWATER INDUSTRIES on April 21.

■ Mr Ivan Hale has been appointed company secretary of ST MODWEN PROPERTIES, Birmingham.

■ Mr Simon Hill has been appointed general manager, natural gas liquids department, TEXACO.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
60 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	45.53	46.06xd	48.99	-0.34	5.59
Gilts & Fixed Int	6	115.30	115.30	122.40	-0.2	8.17
High Inc Equity	6	127.70	130.00	139.00	-1.0	4.28
Worldwide Bond	6	184.3	184.5xd	195.5	-1.5	4.96
Capital Growth						
American Growth	6	155.90	157.60	167.6	-2.7	1.31
Asian Pacific	6	80.05	81.26	86.90	-0.2	1.24
Assets & Earnings	6	152.00	155.60	165.50	-0.8	2.39
Capital Reserve Acc	0	83.11	83.11	83.21	-0.09	4.81
Commodity & Energy	6	96.05	96.05	102.80	-0.8	0.00
1992 Enterprise	6	53.10	54.13	57.53	-0.38	3.13
European Capital	6	76.96	77.50	82.44	-0.02	0.91
General	6	168.00	171.00xd	181.90	-1.7	2.47
Japan	6	105.4	107.1	113.9	-0.3	0.00
Mastertrust	6	78.65	78.65	84.12	-0.47	1.75
UK Growth Acc	6	192.9	201.1	213.9	+0.4	1.59
UK Growth Dist	6	129.1	134.7	143.2	-0.2	2.38
US Emerging Cos	6	46.52	48.18	51.25	-0.08	0.00
Income & Growth	6	281.5	287.8	306.10	-3.8	3.10
Ethical	6	47.23	48.42	51.50	-0.17	2.43

Abtrust Management Ltd (1000)H
10 Queens Terrace Aberdeen AB9 1QJ 0224 633070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	42.70	42.70xd	45.42	-0.06	1.84
Australian	5¼	23.64	23.64	25.15	-0.36	1.19
European	5¼	52.44	52.44	55.79	+0.18	0.00
Extra Income	5	42.19	42.19	44.78	-0.34	4.95
Fund Inv Tst	5	116.8	116.8	124.1	-0.5	2.43
Do Accum	5	178.0	178.0	189.1	-0.7	2.43
Gilt & Fixed Int	5¼	21.96	21.96	23.36	-0.30	10.09
Global Income	5¼	38.55	38.55	41.01	-0.02	4.58
Income & Growth	5¼	71.35	71.35xd	75.91	-0.77	3.85
Japan	5¼	176.4	176.4	187.6	+0.90	0.01
Nth Amer Inc (z)	5	26.32	26.32	27.94	-0.48	3.96
Special Situations	5¼	69.55	69.55	73.99	-0.57	1.02
UK Growth	5	35.85	35.85	38.05	-0.24	2.54
World Gwth	5	44.66	44.66	47.40	-0.13	0.40
Formerly Sentinel Funds Management Ltd						
American Majors	5¼	60.04	60.04xd	64.09	-0.68	1.82
Amer Tech & Gen	5¼	101.3	101.3	185.1	-1.30	0.00
European Growth	5¼	36.76	36.76	39.24	-0.54	0.85
European Income	5¼	51.47	51.47	54.94	-0.05	1.93
European Spec Sits	5¼	21.51	21.51	22.96	-0.04	0.00
Exempt	1	770.9	770.9	806.6	-5.00	3.14

Brycourt Unit Tst Mgmt Ltd (1400)F
Keskett Hse, Portman Sq, W1H 0JR 01-935 6382

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	162.8	162.8	169.1	...	4.25

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT 01-588 2868

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Gwth	5	64.77	66.34xd	70.41	-0.1	1.69
(Accum Units)	5	65.70	67.31	71.42	-0.1	1.69
Fellowship Tst	5	64.49	64.49	68.20	-0.22	1.47
(Accum Units)	5	65.73	65.73	69.51	-0.24	1.47
General Inc	5	297.8	305.1	323.7	-5.2	2.09
(Accum Units)	5	495.4	507.4	538.3	-8.7	2.09
Income	5	153.1	158.0	167.6	-2.0	4.03
(Accum Units)	5	292.7	301.9	320.3	-3.8	4.03
International	5	115.0	115.0	121.6	-1.3	2.66
(Accum Units)	5	155.8	155.8	164.5	-1.5	2.66
Smaller Co's	5	104.9	107.6	114.2	-0.2	1.26
(Accum Units)	5	114.7	117.7	124.9	-0.2	1.16
Inv Portfolio	2½	53.12	53.02xd	56.73	-0.85	3.00

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sht Dtd Gilt & FI	1¼	52.97	52.97	53.71	-0.01	11.35

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SO 01-740 7070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5¼	52.53	53.43xd	57.14	-0.95	2.70
Global Tst	5¼	40.12	40.33	43.13	-0.41	2.30
Recovery Tst	5¼	54.66	57.00	60.64	-0.41	2.61

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	104.4	100.9	111.7	-1.5	3.33

CS Fund Managers Limited (1000)H
125 High Holborn London WC1V 6PY 01-242 1148

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America	5	54.34	54.34	57.81	-0.90	0.43
CS International	5	53.14	53.14	56.53	-0.45	1.85
CS Japan	5	121.4	121.4xd	129.1	-0.1	0.38
CS Portfolio Inv 4	5	66.32	60.32	70.55	-0.59	2.04

Canada Life Unit Tst Mgrs Ltd (1200)F
2-6 High St, Potters Bar Herts 0707 51122

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	5	133.8	139.0xd	146.3	-2.80	2.93
Do Gen Accum	5	223.2	231.9	244.0	-4.80	2.93
Do Income Dist	5	94.19	98.11	103.3	-1.10	4.74
Do Inc Accum	5	211.6	220.6	232.2	-2.50	4.74
Gilt & Fxd Int	5	37.16	37.28xd	39.25	-0.02	8.18

Cannon Fund Managers Ltd (0700)H
1 Olympic Way, Wembley, HA9 0NB
01-902 8876 Dealing 0800 282623

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5½	36.63	38.98xd	41.47	...	2.47
Income	5½	45.59	48.75xd	51.86	...	4.01
Far East ♦	5½	32.50	33.14	35.26	...	0.18
North American ♦	5½	29.37	29.74	31.64	...	0.65

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA 01-588 3963

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	116.7	118.8	126.3	-0.6	2.85
PM Income & Gth	5	105.0	106.6	113.5	-0.4	4.21
PM Nth Amer Gth	5	46.86	46.86	49.85	-1.03	1.51
PM European Gth	5	46.77	46.79	49.77	-0.06	0.89
PM Japan Gth	5	79.95	79.95	85.05	+0.26	0.29
PM Overseas Gth	5	50.05	50.05	53.24	-0.1	0.89

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

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Windsor Trust Mngrs Ltd (1200)F
83 Kingsway, London, WC2B 6SD 01-405 8331

Wright Seligman Fund Mngrs Ltd (1000)H
11 Blomfield St, London EC2M 7AY 01-588 0592
Weekly dealing day Tuesday

The Yorkshire Unit Tst Mngrs Ltd (1100)F
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Cent. Bd. of Fin. of Church of England
2 Fore Street, London EC2Y 5AQ 01-588 1815

Charities Official Invest. Fund
2 Fore Street, London EC2Y 5AQ 01-588 1815

Edinburgh Fund Mngrs PLC

INSURANCES

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

City of Edinburgh Life Assurance

City of Westminster Assurance
PO Box 469, 500 Avebury Blvd, Milton Keynes

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2

M & G Life and M & G Pensions—Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Deposit (Cap)	164.5	172.8		—
Deposit (Acc)	247.0	259.3	−0.1	—
European (Cap)	129.2	135.8	−0.1	—
European (Acc)	194.0	203.8	−0.2	—
Equity (Cap)	438.5	460.5	−8.6	—
Equity (Acc)	658.3	691.5	−12.7	—
Gilt (Cap)	258.5	271.5	+0.5	—
Gilt (Acc)	388.0	407.5	+0.7	—
Gold (Cap)	60.7	63.9		—
Gold (Acc)	91.2	95.8		—
Index-Linked (Cap)	100.6	105.8	+0.1	—

NEL Britannia Assce Co Ltd
Milton Court, Dorking, Surrey 0306 887766

	Bid Price	Offer Price	+ or −	Yield Gross
Capital Growth	117.4	123.6	−0.8	—
Managed Income	119.4	125.7	−1.9	—
Cap Gwth Ser B	108.8	114.5	−0.6	—
Mngd Income Ser B	105.1	119.6	−0.3	—
New Era Pensions				
Mgd Gilt Edged Fd	104.5	104.5	−0.4	—
Mgd Bldg Soc Fd	106.5	106.5	−0.3	—
Mgd Currency Fd	106.5	106.5	−0.3	—
Deposit Fd	106.3	106.3	−0.3	—
MIM Brit Mgd P'folio	111.6	111.6	−0.7	—

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY AUTHORISED

JERSEY AUTHORISED

IoM AUTHORISED

LUXEMBOURG AUTH'D

OTHER OFFSHORE FUNDS

BERMUDA AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101[illegible]	[illegible]	Treas. 9½pc Cnv 1989	99[illegible]	......	9.55	12.29
98[illegible]	95[illegible]	Treas 3pc 1989	98[illegible]		3.05	9.91
102[illegible]	[illegible]	Treas 10½pc 1989	99[illegible]		10.57	12.48
102	[illegible]	Exch 10pc 1989	98[illegible]		10.10	12.40
103[illegible]	98[illegible]	Exch 11pc 1989	99[illegible]		11.08	12.24
97[illegible]	[illegible]	Treas 5pc 1986-89	96¾	......	5.17	10.09
104[illegible]	98[illegible]	Exch 10¼pc Cv '89	99½	......	10.31	11.09
107½	101[illegible]	Treas 13pc 1990‡‡	101½		12.81	11.25
104[illegible]	99[illegible]	Exch 11pc 1990‡‡	99[illegible]		11.02	11.24
107[illegible]	100[illegible]	Exch 12½pc 1990	101[illegible]		12.35	11.34
93[illegible]	90[illegible]	Treas. 3pc 1990	92[illegible]	......	3.24	9.50
99[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	96[illegible]		8.54	11.03
102[illegible]	95[illegible]	Treas. 8pc Cv 1990 ‡‡	98[illegible]		8.12	9.14
103[illegible]	97¼	Treas. 10pc Cv 1990	98[illegible]		10.15	10.95
91[illegible]	87[illegible]	Exch 2½pc 1990	89[illegible]		2.79	8.87
107¼	100[illegible]	Treas 11¾pc 1991	101[illegible]		11.57	10.83
95[illegible]	89[illegible]	Funding 5¾pc '87-91‡‡	91[illegible]		6.27	10.17
90[illegible]	86	Treas. 3pc 1991	88[illegible]		3.40	8.83
105[illegible]	97[illegible]	Treas 10pc Cv '91 ‡‡	100[illegible]		9.99	9.95
107[illegible]	98[illegible]	Exch. 11pc 1991	100[illegible]		10.89	10.58
98[illegible]	91[illegible]	Treas. 8pc 1991	94		8.51	10.51
113[illegible]	103[illegible]	Treas 12¾pc 1992‡‡	106[illegible]		12.01	10.27
104[illegible]	96[illegible]	Treas 10pc 1992	99[illegible]		10.08	10.30
98[illegible]	91[illegible]	Treas. 8pc 1992 ‡‡	93[illegible]		8.53	10.33
106[illegible]	98[illegible]	Treas 10½pc Cv 1992‡‡	100[illegible]		10.44	10.26
86[illegible]	81[illegible]	Treas. 3pc 1992	85	......	3.53	8.27
112[illegible]	102[illegible]	Exch. 12¼pc '92	105[illegible]		11.60	10.33
117[illegible]	106[illegible]	Exch 13½pc 1992	109[illegible]		12.34	10.29
97[illegible]	91	Treas 8¾pc 1993	93[illegible]		8.79	10.16
105[illegible]	96[illegible]	Treas 10pc 1993‡‡	99[illegible]		10.01	10.03
115[illegible]	105[illegible]	Treas 12½pc 1993‡‡	108[illegible]		11.52	10.07
[illegible]	85¼	Funding 6pc 1993‡‡	87[illegible]	......	6.84	9.34
121[illegible]	110[illegible]	Treas 13¾pc 1993‡‡	113[illegible]		12.11	10.09
102[illegible]	90[illegible]	Treas. 8½pc 1994	94[illegible]		9.04	10.06

BRITISH FUNDS—Contd

FOREIGN BONDS & RAILS

1988/89 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	40	......	3.50	f8.75
45	33	Do. 6pc 28 Stb. Ass.	40	......	2	f7.50
45	33	Do 4pc Mixed Ass.	40	......	2	f5.00
80	63	Hung. '24 Ass.	00	......	2.75	f3.57
140[illegible]	128[illegible]	Hydro Quebec 15pc 2011.	139[illegible]		15.00	10.45
131[illegible]	13[illegible]	Iceland 14½pc Ln 2016	128[illegible]		14.50	11.18
101¼	37[illegible]	Ireland 9¾pc '91-96	97	......	9.75	10.35

AMERICANS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

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AMERICANS—Contd

1988/89 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
19	14	USX $1	17	−	$1.40	−	4.4
154c	[illegible]	♥Unilab	130p		−	−	−
26	17½	Utd Technologies	15	−	$1.60	−	3.4
163p	27p	♥Unitech Inc.	138p	...	−	−	−
35½	26¼	US West	34	−½	$3.52	−	5.6
26	16½	Waste Management $1	24¼	−	48c	−	1.1
16	12	Whirlpool $1	15	−⅛	$1.10	−	4.1
20½	15	Whitman Corp.	19¾		96c	−	2.8
33	18¼	♥Woolworth $3½	30	−1⅛	$1.64	−	3.0

CANADIANS

1988/89 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	132p	♥ASM Gold Corp $.	149p	−6	−	−	−
32p	4½p	♥Abbot Energy Corp.	12p	−	−	−	−
14¼	882p	♥Amer. Barrick Res.	11½	−⅛	−	−	−
10p	2½p	♥Amer. Lightwave	2½p		−	−	−
47p	7½p	♥Armeno	16½p	−1½	−	−	−
76p	23p	♥Augmitto Expln.	24p	−2	−	−	−
14½	10½	Bk. Montreal	14¼	−⅛	$2.12	−	7.1
769p	514p	Bk. Nova Scot.	728p	−31	84c	−	5.5
18½	15¼	BCE	18½	−⅛	$2.44	−	6.4
716p	527p	♥Bow Valley	668p	−18	40c	−	2.9
14¼	10½	♥Brascan	13¼	−¼	65c	−	3.1
328p	177p	♥Breakwater Res.	205p	−2	10c	−	2.3
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

For Minson Grp see Aitch Hldgs.

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
° Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
◆ Merger bid or reorganisation in progress
♣ Not comparable
◆ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
|| No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p....γ	77	......
Craig & Rose £1..γ	710	......
Finlay Pkg. 5p....γ	89	......
Holt (Jos) 25p.....γ	1235	+5

IRISH

Cap. 8½% Ln. 1991	£99½	......
9pc Cap Ln. 1996..	£188¼	+¼
Fin. 13% 97/02..	£122¼	......

Arnotts..............	420	-5
Carrol (P.J.).......γ	154	-1
Hall (R. & H.).......	175	+5
Heiton Hldgs. .....γ	69	-1
Irish Ropes...........	180	+10

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons.............	48
Amstrad..................	18
BAT......................	40
BOC Grp..................	16
BSR......................	7½
BTR......................	26
Barclays.................	34
Beecham..................	48
Blue Circle..............	39
Boots....................	20
Bowaters.................	38
Brit Aerospace...........	42
Brit. Telecom............	21
Burton Ord...............	10
Cadburys.................	31
Charter Cons.............	45
Comm Union...............	20
Courtaulds...............	26
FKI Babcock..............	13
FNFC.....................	21
Gen Accident.............	71
GEC......................	19
Glaxo....................	90
Grand Met................	38
GUS 'A'..................	95
Guardian.................	16
GKN......................	28
Hanson...................	12
Hawker Sidd..............	43
ICI......................	65
Jaguar...................	22
Ladbroke.................	38
Legal & Gen..............	26
Lex Service..............	34
Lloyds Bank..............	29
Lucas Inds...............	43
Marks & Spencer..........	15
Midland Bk...............	35
Morgan Grenfell..........	28
NEI......................	12
Nat West Bk..............	45
P & O Dfd................	48
Plessey..................	15
Polly Peck...............	28
Racal Elect..............	25
RHM......................	32
Rank Org Ord.............	63
Reed Intnl...............	38
STC......................	24
Sears....................	13
TI.......................	32
TSB......................	9
Tesco....................	12
Thorn EMI................	55
Trust Houses.............	24
T&N......................	16
Unilever.................	42
Vickers..................	15
Wellcome.................	42

Property

Brit Land................	30
Land Securities..........	52
MEPC.....................	50
Peachey..................	54

Oils

Brit Petroleum...........	21
Do. (P.Paid).............	12
Burmah Oil...............	48
Calor....................	35
Charterhall..............	2½
Premier..................	9
Shell....................	85
Ultramar.................	21

Mines

Cons Gold................	100
Lonrho...................	38
RTZ......................	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

FINANCIAL TIMES
Weekend February 11/February 12 1989

Royal Brierley
THE FINEST ENGLISH FULL LEAD CRYSTAL

Tokyo changing rules on company flotations

By Stefan Wagstyl in Tokyo

THE TOKYO stock exchange is to make important changes to its rules on company flotation in an attempt to stamp out abuses in the wake of the Recruit Cosmos scandal.

The plans, supported by the Ministry of Finance, are for introduction of a compulsory auction system for pricing companies that go public.

The ministry said the changes, to be introduced in April, would make the pricing of new issues more transparent. However, some foreign stockbrokers said there would still be opportunities for Japanese securities houses to bend the rules if they wished.

The authorities were spurred into action by a string of revelations since last summer that politicians, businessmen and others made large profits from the 1986 flotation of Recruit Cosmos, a property company controlled by the business information group Recruit.

Many Japanese new issue shares have soared by 50 per cent or more above offer prices on the first day's trading. Investors closely connected to a new issue company and to the stockbroking house handling the sale made big profits from such flotations, it was widely suspected. Yet there was little hard evidence and the securities industry denied that malpractice was common.

Official concern was heightened by the controversial sale last December of shares in Mitsubishi Motors Corporation, which jumped to a 70 per cent premium on the first day.

The company and Nikko Securities, its sponsor, were embarrassed by reports that members of the public who tried to buy shares in the offer for sale were told that it was sold out days before the subscription list officially opened.

The stock exchange's ruling committee is expected to give final approval to the reform plan later this month. Under it, companies seeking a stock exchange listing will have to sell 25-50 per cent of an issue – and at least 1m shares – at a pre-flotation auction. Bidders will be limited to a maximum of 5,000 shares and those who have an interest in either the company or its sponsoring brokerage will be disqualified from the auction.

The floor price at auction will be set near the price of a similar quoted company, taking activity, size and financial performance into account. The auction price ceiling will be 30 per cent above the floor price.

The proposed rule changes do not cover the over-the-counter market, where Recruit Cosmos was floated. Separate reforms are still being worked on for that. Forty companies were floated on the Tokyo Stock Exchange last year and 53 on the OTC market.

There have already been some changes to the flotation rules to try to curb abuses. Late last year, investors allotted shares before a flotation (as occurred at Recruit Cosmos) became obliged to hold them for at least two years, and the companies were obliged to reveal the names of such shareholders. This was intended to prevent them taking a quick profit on flotation.

Daiwa Securities, Japan's second largest stockbroker, said that under the new system "radical price movements will be avoided."

One foreign broker said the proposals appeared to make it still possible for brokers to continue manipulating prices by, for example, driving up the price of shares in the company chosen as the benchmark for the floor price of the new issue.

Mr Norio Watanabe, director and fund manager at Crédit Suisse Investment, said companies going public expected to have their shares boosted.

Takeshita promises reform, Page 2

Democrats deliver warning on budget

By Peter Riddell, US Editor, in Washington

LEADERS of the Democratic majority in the US Congress yesterday warned that they regarded President George Bush's budget proposals as a starting point for negotiations and would seek changes in several detailed proposals.

Economic advisers to Senate Democrats yesterday claimed that the budget deficit in fiscal 1990, starting in October, would be $115bn (£65.5bn), not the $94.8bn forecast by the Administration.

The difference is crucial in relation to the statutory target of $100bn for the year.

Detailed scrutiny of the plans by Congressional committees will start soon. There is not yet an agreed timetable for completing the process in spite of an understanding with the White House about negotiating procedures.

In the face of generally sceptical reactions, the President plans to make a series of public speeches, starting in New Hampshire on Monday. His advisers believe that by stressing the popular themes of bipartisanship and co-operation voters will be encouraged to put pressure on their Congressmen to reach an early deal.

Senior Administration officials yesterday emphasised the President's willingness to negotiate with Congress.

Mr John Sununu, the White House Chief of Staff, said: "Congress may try and suggest it can't be done but I think we're ready to sit down, negotiate and work with whatever slight differences they might have on the budget to fulfill our commitment to the American people."

However, in the light of yesterday's figures pointing to an acceleration in inflation, there is apprehension among policymakers about a rise in short-term interest rates.

Mr Richard Darman, budget director and main author of the Bush strategy, yesterday played down differences between the Administration and the Federal Reserve.

He said that their views about the sustainable growth rate were "in a negotiable range" – the Administration would "co-operate with the Fed to achieve a common perspective."

Democrat leaders questioned the Administration's claims. Senator Lloyd Bentsen, the chairman of the Senate Finance Committee, challenged the assumption of continued strong economic growth and falling interest rates.

He welcomed Mr Bush's emphasis on social programmes in what he called "a good Democratic speech." But, along with other Congressional leaders, he criticised the absence of details on how savings are to be achieved.

Mr Dan Rostenkowski, chairman of the House Ways and Means Committee which writes the tax laws, warned that the President was raising expectations which could not be met.

He warned that the proposed cut in capital gains tax undermined the basis of the 1986 tax reform.

British Steel to cut 936 jobs in S Wales

By Nick Garnett

BRITISH STEEL is to close its tinplate works at Velindre near Swansea – its first move to rationalise production since its privatisation last December.

Yesterday's decision will also mean jobs are lost at two other South Wales plants. Altogether 936 jobs will go.

The company said, however, it would eventually create about 200 jobs at the other South Wales sites.

Tinplate production is to be concentrated at Trostre, near Llanelli, and Ebbw Vale. The company said this would improve the efficiency and financial performance of the tinplate operation in Wales, which employs 4,750 people.

Velindre, which employed 2,500 in the mid 1970s, has been partially manned since 1981. It produces about 20 per cent of British Steel's yearly tinplate output of between 900,000 and 1m tonnes. Most is used for canning and general packaging.

The tinplate operation is profitable. However, the company said the decision to close Velindre in September followed a review of tinplate operations to minimise production costs.

"Against the background of continually increasing competition in the market for tinplate products, British Steel is determined to retain its position as a major European producer," the company said.

There will be 740 jobs lost at Velindre, 135 at Trostre and 61 at Ebbw Vale.

Eventually about 200 jobs are expected to be created at Ebbw Vale and Trostre, as those plants take on work from Velindre.

Valve maker closes site with loss of 900 jobs, Page 4

Life groups sell 1m personal pensions

By Eric Short, Pensions Correspondent

MORE THAN 1m of the new style personal pensions were sold by life assurance companies in the six months after their introduction in July.

According to Association of British Insurers figures yesterday, premiums, excluding rebates and incentives from the Department of Social Security, totalled £809m.

Personal pensions, which enable individuals to make their own pension provision outside the state scheme or a company scheme, were the centrepiece of radical changes made last year.

Yesterday's figures show the extent to which employees are taking advantage of the pension opportunities created.

They also indicate that the millions of pounds spent by life companies on promotional campaigns, could already be showing a good return.

The figures will please the Government, which was seeking to reduce the number of people in the State Earnings-Related Pension Scheme (Serps).

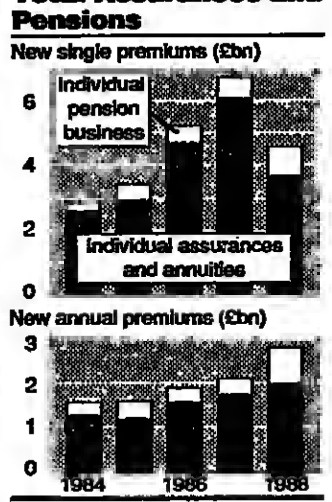
Many life companies are reporting that more than half their pension sales are to people contracting out of Serps, and Prudential Corporation, Britain's largest life company, said 90 per cent of the 220,000 personal pension contracts it had sold were contracted out.

Last year overall was an exceptional year for life companies' pensions business.

Before the pensions changes in July, there was a big increase in sales – mainly to the self-employed – of the old style retirement annuity contracts which personal pensions replaced.

New premiums on individual pensions business last year exceeded £1.8bn – £897 of annual premiums and £929m of single premiums. This was nearly 60 per cent higher than the record established in 1987.

Total Assurances and Pensions



Life companies also benefited from the boom in house sales. Total premiums on new low-cost endowments, used to repay mortgages, could well have approached £1bn.

New annual premiums on non-linked life business, excluding industrial assurance business, amounted to £1.15bn, 20 per cent more than in 1987. That total includes mortgage business, which for many life companies accounts for more than three-quarters of their non-linked individual life business.

In addition, linked-life new annual premium business was more than 20 per cent higher than in 1987 at £623m. A significant and growing proportion of linked annual premium business relates to mortgage repayment.

The dull spots in last year's new business figures related to industrial life business and single premium linked bond business.

THE LEX COLUMN

Second thoughts on Mr Bush

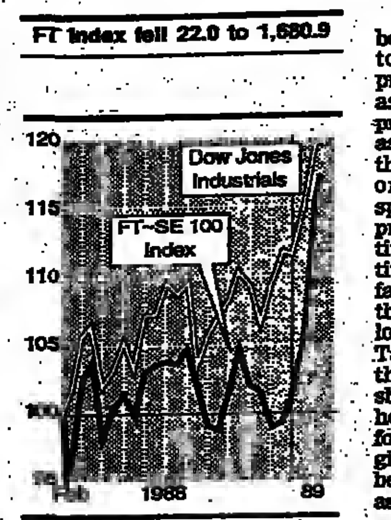
The market's honeymoon with President Bush is over, and the end was swift and nasty. As recently as last Wednesday, Wall Street still fondly believed that a man who could enter the presidential office with such smooth confidence could do something about the deficit too. It also saw the economy growing strongly, regarded inflation as not too much of a threat, and listened to the Fed talking tough, but not actually tightening its policy.

Thursday's budget speech put a stop to part of that, and yesterday's producer price figures changed the rest. It seems that Mr Bush's economic assumptions are no more plausible than Mr Reagan's. Neither has he made any progress in cutting spending; and the only alteration he plans to make to taxation will actually reduce revenues. Worst of all, the references made by Mr Bush to his new caring social policies – which made his speech a winner among Democratic Congressmen – will simply make it harder to say no to the resulting demands for money to back the talk.

With its fiscal hopes dashed, the market was in no mood for the 1 per cent rise in producer prices. Even though much of the increase was due to higher oil prices rather than the result of an overheating economy, it cannot but tip the balance towards a tightening in Fed policy. In turn, that means that a big fall in the dollar can be ruled out for the time being.

Given the stricken behaviour of Wall Street and the bond market yesterday, London was evidently justified in its pre-emptive morning weakness. The prospect of still higher US rates makes a Budget base rate cut in the UK look a longer shot: the Chancellor may find it more difficult to hold out against the actions of the Fed than the warning words of the Bank of England. Indeed, given the lengthening odds of an early reduction in UK base rates, and given Wall Street's depressing lead, it is perhaps surprising that London did not fall further still – especially given the number of people who regard a correction as overdue.

FT Index fell 22.0 to 1,680.9



Unilever

Now that the details of Unilever's Fabergé purchase are more or less clear, the 10p jump in its shares – despite yesterday's dismal market – is wholly intelligible. Unilever is not only paying less than expected, it is also buying more profits. There is a promise of no earnings dilution in the current year, and it is plainly implied that the trading margin of 12 per cent in Fabergé's latest figures can be moved back up to the industry norm of towards 15 per cent for Fabergé proper, and nearer 20 per cent for Elizabeth Arden.

It is also clear that the deal offers cost savings similar to those afforded by Chesebrough Pond's. In distribution terms, the axe seems bound to fall more heavily on the Fabergé business, which fits in with the existing toiletries network. Elizabeth Arden, by contrast, will be a self-standing business, with savings coming from the inclusion of Unilever's own perfume brands. It is meanwhile a striking instance of Unilever's financial firepower that despite the immediate write-off of $1bn in goodwill, the deal will leave net debt at less than 30 per cent of shareholders' funds. Given the scale of Unilever's brands, and the present incoherence of the debate on accounting for intangibles, it is a relief to hear that the company remains loyal to old-style accounting principles.

Magnet

The proposed management buy-out of Magnet looks like becoming a test case for the development of the buy-out culture in the UK. At issue is the information which will be available to shareholders, and to the non-executive directors whose job it is to champion them. There is no suggestion that Magnet is proposing anything especially outrageous; indeed, it is precisely its normality as a company, compared to previous one-offs like Virgin, which gives the case its prominence.

Magnet's non-executives are being furnished with an auditor's report, a current year profits forecast and an updated asset valuation. They are at present disposed to accept that as enough, on the grounds that the acutely uncertain outlook on housing and consumer spending means that further projections given by the executive directors to their prospective backers do not qualify as fact. There is room for sympathy with that position: but it looks hard to square with the Takeover Code, which says that no relevant information should be withheld from shareholders of a company being bid for, and that any information given to a friendly bidder must be available to a hostile bidder as well.

The non-executives are also quite properly conscious of other issues, such as the interests of employees and the likelihood that the buy-out team will walk out if the company falls to another bidder. But it is one thing to say that a hostile bid for a people business may be counter-productive; it is quite another to say that its shareholders are therefore at the mercy of its management.

Market-makers

When the Stock Exchange's new rules for market-makers come into effect next Monday morning, the chief point of interest will be not the prices quoted on Seaq screens, but the sizes. Having made their point, the old renegades BZW and Phillips & Drew intend to go back up in size, though not to previous levels: the betting is that the others, no longer able to unwind positions by falling back on each other, will go down in size to meet them.

The less explicit reason for keeping sizes down is that non-integrated broker-dealers – market code for James Capel – can still force market-makers to deal. The real bone of contention, though, would be any sign of the rumoured cartel among market-makers willing to deal with each other in small sizes on a guaranteed basis. BZW and P&D, both of whom claim to have held aloof from any such agreement, nevertheless concede that a healthy market depends on sensible commercial relationships developing between market-makers. What they mean by that is a return to the old jobbers' convention of helping friends out on a voluntary basis. Between an old-style club of this kind and a new-style cartel, it is hard to know which is less acceptable.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Lufthansa	176	+	4
BASF	302	+	4
Linde	805	+	10
Falls			
Henkel	524.5	−	6
NEW YORK ($)			
Rises			
Pan Am	4	+	⅛
Xerox	65½	+	1⅝
Falls			
Dow Chemicals	96½	−	1¼
Ford	54¼	−	¾
Navistar	8¼	−	¼
Texas Air	13⅜	−	⅝
PARIS (FFrs)			
Rises			
Im'ble Monceau	444	+	60
Cetelem	715	+	44
Falls			
Epeda	1150	−	68
BHV	526	−	27
Eurotunnel	85	−	3.7
Talcs Luzenac	1130	−	47
TOKYO (Yen)			
Rises			
Hazama-Gumi	1610	+	200
Fujita	1570	+	170
Toyo Telecom	1400	+	150
Falls			
Yuki Gosei K	1430	−	160
Origin Elec	1100	−	70
Iwasaki Elec	2550	−	140

New York prices at 12.30.

LONDON (Pence)			
Rises			
Castings	215	+	8
Control Secs	55½	+	4
Davies & Met A	123	+	7
Glamar Group	157	+	33
Laing Props	520	+	26
Midsummer Leis	218	+	12
Polly Peck	351	+	16
Rank Org	936	+	34
Stand Chart	563	+	13
Unilever	553	+	10
Falls			
Alphameric	102	−	43
BAT Inds	547	−	11
Bass	923	−	17
Brit Aerospace	520	−	14
Bryant	124	−	5
Courtaulds	297½	−	7
Eurotunnel Uts	768	−	15
GKN	354	−	12
GUS A	1108	−	28
IMI	218	−	11½
Lucas Inds	636	−	13
Pearson	700	−	14
Racal Telecom	259	−	12
T & N	209	−	5

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	15	59	Dallas †	C	1	34	Madeira	Dr	16	61	Prague	C	4	39
Algiers	F	16	61	Dublin	S	6	43	Madrid	C	9	48	Reykjavik	F	-1	30
Amsterdam	S	8	46	Dubrovnik	S	15	59	Majorca	F	14	57	Rhodes	S	16	61
Athens	C	11	52	Edinburgh	F	8	46	Malaga	R	12	54	Rio de Janeiro	–	–	–
Bahrain	R	17	63	Faro	R	15	59	Malta	F	13	55	Rome	S	14	57
Barcelona	F	14	57	Florence	S	14	57	Manchester	F	8	46	Salzburg	S	3	37
Belfast	F	5	41	Frankfurt	C	2	36	Melbourne	C	21	70	S'Francisco †	F	4	39
Belgrade	Fg	1	34	Geneva	C	0	32	Mexico City	–	–	–	Santiago	–	–	–
Berlin	S	5	41	Gibraltar	R	12	54	Miami †	F	15	59	Seoul	S	2	36
Biarritz	F	12	54	Glasgow	F	7	45	Milan	F	9	48	Singapore	S	31	88
Birmingham	F	8	46	Guernsey	S	9	48	Montreal †	Sn	-10	14	Stockholm	C	2	36
Blackpool	S	9	48	Helsinki	C	-1	30	Moscow	S	-4	25	Strasbourg	C	1	34
Bombay	–	–	–	Hong Kong	S	15	59	Munich	C	-1	30	Sydney	S	28	82
Bordeaux	F	12	54	Innsbruck	S	10	50	Nairobi	F	25	77	Tangier	C	12	54
Boulogne	F	10	50	Inverness	S	7	45	Naples	S	15	59	Tel Aviv	F	15	59
Bristol	S	9	48	Isle of Man	F	8	46	Nassau	–	–	–	Tenerife	S	21	70
Brussels	S	10	50	Istanbul	F	9	48	Newcastle	F	7	45	Tokyo	R	5	41
Buenos Aires	–	–	–	Jersey	F	11	52	New Delhi	–	–	–	Toronto †	F	-12	10
Budapest	C	3	37	Johannesburg	C	16	61	New York †	C	-7	19	Tunis	F	16	61
Cairo	F	18	64	Las Palmas	S	21	70	Nice	S	14	57	Valencia	C	10	50
Cape Town	S	32	90	Leeds	F	8	46	Nicosia	S	18	64	Venice	S	10	50
Cardiff	S	10	50	Lisbon	R	11	52	Oporto	C	9	48	Vienna	C	5	41
Chicago †	F	-12	10	Locarno	S	9	48	Oslo	Dr	4	39	Warsaw	S	7	45
Cologne	S	7	45	London	R	10	50	Paris	S	10	50	Washington †	F	-6	21
Copenhagen	C	3	37	Los Angeles †	C	11	52	Peking	S	9	48	Wellington	S	15	59
Corfu	S	16	61	Luxembourg	Fg	0	32	Perth	S	32	90	Zurich	C	0	32

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Unilever

Continued from Page 1

from 7.5 to 9.5 per cent, rivalling the position held by L'Oreal, the French group which has traditionally been the world market leader.

The acquisition is the second important strategic move in this area in recent years. In 1987, Unilever bought Chesebrough-Ponds, owner of the Vaseline and Ponds businesses.

The multinational, best known for its soap and soup products, has identified the personal products market as a core international interest outside its traditional business in mass-market goods.

Mr Angus said that Unilever would be happy to buy another personal products company of similar size, should one become available.

Yesterday's move fits the company's strategy of strengthening its presence at the "prestige" end of the market for skin-care and fragrances.

This is worth $8bn a year and has grown at 11 per cent per annum over the last five years in Europe and 9 per cent in the US.

According to Mr Angus, there is minimal overlap with Unilever's existing businesses, but plenty of synergy. The move would, for example, provide an entry into the US deodorant market.

Unilever will pay for the businesses primarily out of its cash reserves of £1.5bn.

Mr Angus said he had not met Mr Riklis, an entrepreneur who went to the US 30 years ago and built up a $3bn business empire. Negotiations with Mr Riklis had been "on an exclusive" basis from the time that the announcement was made a month ago, and there was no chance of a third party entering the fray.

The price paid represents a multiple of 23 times earnings in the year to January 1989. Dilution in Unilever's current financial year will not be material, according to Mr Niall Fitzgerald, finance director.

Dollar see-saws

Continued from Page 1

combined with Thursday's Bank of England warnings against an early decline in UK interest rates to push London share prices lower. These later recovered in line with the dollar, and after Wall Street showed early steadiness in spite of interest rate pressures.

London's stock exchange closed lower with the FT-SE 100 index at 2,056.1, down 23 but 14.7 above the day's low. The FT Ordinary Share index closed at 1,680.9, down 22. Measured by the FT-SE Index, the market lost 13.8 over the week, closing well below Wednesday's transitory high of 2,106.1.

According to Mr Kevin Gardiner, an economist with Warburg Securities, the London market is expected to trade in a FT-SE 100 range of 2,000 to 2,100.

Many traders saw the dollar's sharp fall in reaction to the budget speech as a sign that Mr Bush's post-election honeymoon on financial markets is over. The markets were disappointed because Mr Bush's plans to cut the US deficit to $91.1bn in the fiscal year starting October were vague and implied protracted negotiations with Congress.

The news that producer prices in the US jumped 1 per cent in January – double December's increase and well above the 0.4 per cent consensus forecast on Wall Street – re-instated interest rate pre-occupations as the central concern of currency and bond markets.

Some analysts suggested that certain sectors of Wall Street still could represent good value because of the relative resilience of US share prices.

Food anxiety

Continued from Page 1

over the cost implications for any conclusions it reached.

Government officials emphasised that an internal committee had been chosen because it could begin sooner.

In his advice on food safety, Sir Donald urged pregnant women to avoid soft cheeses such as brie, camembert and blue vein types to minimise risks of illness caused by listeria bacteria. He also advised against eating under-cooked poultry or meat products as well as making sure refrigerators worked properly.

The average healthy person faced a very small risk of becoming ill with listeriosis from eating contaminated food, Sir Donald said.

Soft cheeses, said Sir Donald, had been singled out because the method of preparation and the time they may be kept allowed listeria to multiply.

Very low levels of listeria contamination had also been found in chilled ready prepared meals and retailers recently reported a downturn in sales in what has been the biggest growth area in a static market.

● Dairy Crest, is investigating how a tub of Cornish butter, made at its Camborne Creamery in Cornwall, was contaminated with mercury.

Weekend FT

SECTION II Weekend February 11/February 12, 1989

AGAINST THE BOMB

What is Pugwash? And how has it helped halt the nuclear threat. Elon Salmon reports

THIS YEAR'S mild winter in Europe could be said to echo the warming relationship between East and West. Gone, it seems, are the days of instinctive distrust between Nato and the Warsaw Pact. December's agreement by which the Russians and the Americans removed their intermediate-range nuclear missiles from Europe has been a significant milestone on the road to nuclear disarmament. Pugwash, a discreet – indeed mysterious – organisation, which now is seeking a more assertive role, may claim some credit for the new mood.

Pugwash is a fraternity of scientists dedicated to nuclear disarmament and to making the world a better place in which to live. It is not a structured organisation with membership and a regular budget. Its conferences and seminars are not attended by delegates in the strict sense of the word, although a rule operates to restrict the number of representatives from each country. Its deliberations, now as at the start, are shielded from publicity. The sense of purpose that animates its participants often cuts across national identities and narrow national interests.

Scientists drawn to the movement tend to be liberal-minded and often left of centre politically. Almost invariably, they are at the top of their profession: Pugwash's ranks are full of illustrious names and Nobel Prize-winners from the West, the East, the Far East and the Third World. That quality, coupled with discretion, has enabled Pugwash, working quietly and patiently behind the scenes over a long period, to contribute to such major milestones in nuclear weapons limitation and disarmament agreements as the Strategic Arms Limitation Treaty (SALT) between the US and the Soviet Union in 1972. So, at least, Pugwash claims.

Pugwash has come a long way in the past three decades. World leaders respect it. From a small group of idealistic scientists, the movement has grown considerably. More than 200 people are expected at its 39th conference in Cambridge, Massachusetts, this July. There, eight work groups will address themselves to problems of verifying arms reductions and European security. Once proposals for solving these have been formulated, Pugwash will make them public.

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It could be said that the seeds of Pugwash germinated in the radio-active ashes of Hiroshima and Nagasaki after the first atomic bombs fell on them. Ten years later, the deadlier hydrogen bomb entered the arsenals of the two super-powers. It was then that the spectre of total destruction of civilisation began to haunt the imagination of one singularly imaginative and profound philosopher, Bertrand Russell.

Russell believed scientists had a moral responsibility for their discoveries and how these were used. On Christmas Day 1954, he gave a talk on the BBC called "Man's Peril" in which he outlined the dangers to humanity arising from the development of nuclear weapons. He argued that scientists, especially those who had been involved in developing the atomic bomb, should take a stand against further use of it. In this vein he wrote to Albert Einstein, the most celebrated scientist of his day. Einstein himself was never involved directly with the atomic bomb, but in September 1939 he had written to President Franklin D. Roosevelt advising the development of a super bomb based on nuclear fission and warning that the Germans might acquire a lead in that area.

Russell proposed to Einstein that a conference of scientists be convened to discuss nuclear disarmament. He also suggested that invitations to the conference be preceded by a public statement signed by Einstein, Russell and a few eminent scientists. Einstein agreed to both, offered names of signatories and left it to Russell to draft what was later to be known as the Einstein-Russell Manifesto – the credo of the Pugwash movement.

Eleven signed the manifesto, including Einstein and Russell. All except Russell were scientists. Eight of them were Nobel Prize-winners, including a French physicist, Prof. J. F. Joliot-Curie, and Prof. C. F. Powell from Britain. Poignantly, one was Japanese: Hideki Yukawa, professor of theoretical physics at Kyoto University and a Nobel Prize laureate. Prof. Joseph Rotblat, too, was among the signatories. Now 80 and living in London, he is Pugwash's president and emeritus professor of physics in the University of London at St Bartholomew's Hospital Medical College. Rotblat was approached personally by Russell, whom he had met at about that time.

In April 1955, Russell was flying from Rome to Paris when the pilot announced Einstein's death. When Russell arrived at his hotel, there was a message for him: Einstein had signed the statement, one of the last things he did before he died. It was duly read to a packed audience at a press conference in Caxton Hall, London, on July 9, 1955.

Its impact was such that, a few days later, Russell received a letter from Canadian industrialist Cyrus Eaton offering to host and finance the first conference in Pugwash, his home town in Nova Scotia. The conference finally began in July 1957, attended by 22 scientists from 10 different countries including the US, Soviet Union, Britain, Japan and China. Because of his health, Russell himself was unable to go, but his recorded message was played. The movement was born; its purpose and goals were defined; it took the name of Pugwash.

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In a sense, Joseph Rotblat personifies the ideals of Pugwash. The news of the discovery of nuclear fission reached him at the beginning of 1939, and he understood its dreadful implication. He wrote: "... My first reflex was to put it out of my mind, like a person trying to ignore the first symptom of a fatal disease ..." When war broke out, however, the "symptom" could no longer be ignored, for the possibility of the Germans developing the bomb, and using it, looked too real.

In November 1939 at Liverpool University, where he was lecturing on nuclear physics, Rotblat approached Prof. James Chadwick, who later headed the British team in the Manhattan Project which developed the atom bomb, with a feasibility outline for developing such a weapon. Eventually, that took Rotblat to Los Alamos as a member of the British team collaborating with the Americans to build the bomb.

By March 1944, though, he was troubled by doubts. There soon followed a rude awakening. During one of his regular visits to Los Alamos, General Leslie Groves, the American in charge of the project, intimated that the bomb was in fact aimed not at the Germans but, potentially, at the Russians. Rotblat left Los Alamos. His "desertion" turned him effectively into a "security risk." The penalty was silence: he was barred from discussing the project with anyone.

To some degree, Rotblat was helped towards his fateful decision by talks he had with Danish physicist Niels Bohr, who had escaped from Nazi-occupied Denmark and joined the Manhattan programme. They used to listen to the BBC together in Rotblat's room. Bohr foresaw the super-power arms race. He was passionately against secrecy in science, believing that information should be shared. With no secrecy, he thought, there would be no point to an arms race. Thus, Bohr believed the US should let the Russians know about the bomb; they were, after all, still allies and they could develop the weapon on their own. Hiroshima and Nagasaki had a profound effect on Rotblat's life and career. He gave up nuclear physics and devoted himself to medical research, which occupies him to this day.

The German-born physicist Sir Rudolf Peierls, now living in Oxford where he still teaches, was also in Los Alamos. He has been involved with Pugwash since 1960, when he joined. Fortunately, he was not in Germany when the war started. In 1940, together with another eminent nuclear physicist, Otto Frisch, he realised the feasibility of an atomic bomb and informed the British government. Both he and Frisch were soon enlisted with the Manhattan Project.

Like so many of his colleagues, he was motivated by fear that the Nazis would get the bomb first. Later he, too, realised that the Germans were far behind.

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Prof. Bernard Feld's office at the Massachusetts Institute of Technology is crowded with books and Pugwash memorabilia; his appearance is demonstratively casual and a bicycle stands at one corner. As soon as the Manhattan Project got off the ground, Feld found himself in Los Alamos as a young assistant to physicist Enrico Fermi. On the site, he was astonished at the stupendous force of the blast. Then, disillusionment set in as he, too, realised the political moves behind the project. The bombing of Nagasaki, he claims, was a military public relations exercise designed to demonstrate that plutonium worked as a substance of fission and that the research costs were justified.

Feld accepts that scientists bear responsibility for their discoveries. He keeps stressing this to his students. Since his involvement with the Manhattan Project he has refused to get involved in weapons research, a field which can offer almost irresistible temptations for many scientists. Like Niels Bohr, he is totally against secrecy in science. But he is also resolutely against the curbing of scientific research, no matter what terrible discoveries it may produce.

This view, shared for a variety of reasons by most scientists (not least by those who are members of Pugwash) is upheld with compellingly quiet wisdom by Dorothy Hodgkin, herself an eminent chemist, winner of the Nobel Prize in 1964 and Pugwash's recently-retired president. "I think you have to pursue research," she says. "You just have to grow wise enough not to misuse it."

She joined Pugwash in 1962. Often, she says, the main body of the conference left her cold but the working parties invariably were useful and rewarding. On such occasions, Hodgkin got to know a number of eminent Russian scientists like Igor Tamm and Lev Artsemovitch, with whose work she was familiar, and Russian-born physicist George Kiestiakovski, who had been President Eisenhower's scientific adviser. She found their company congenial; she grew to admire the intellectual gifts and integrity of several of them. Hodgkin is not sure that Pugwash contributed directly to nuclear test ban agreements or to weapons limitations treaties. But she has no doubt that Pugwash created an atmosphere of trust that might have reached political levels, in whatever small a measure.

In Pugwash meetings, scientists have been able to talk to each other, exchange ideas, and, most importantly, pass on messages to their respective governments in a way that carries the authority of expertise.

Sir Rudolf Peierls cites an example. In the early 1960s, he says, negotiations in Geneva about a nuclear test ban were getting nowhere because "politicians were talking politics to each other." Then, at a Pugwash conference a Russian and an American wrote a paper proposing the deployment of sealed seismic recorders, rather like black boxes in aircraft. These would be placed in each country in agreed places and returned eventually to the country of origin for inspection. This would have enabled the two super-powers to monitor any atomic detonation by the other side.

"The idea was not accepted at the time," Peierls says. "But the fact it was discussed meant that you needed to bring technical experts – scientists – into the negotiations, who could immediately understand each other. That completely changed the atmosphere and, I believe, led to the partial test ban treaty."

Bernard Feld cites another example: "During the Cuba missile crisis in 1962, President Kennedy came under pressure to act militarily. But a group of American scientists urged negotiations. Through British colleagues in Pugwash, a message was conveyed to the Russians offering to withdraw American missiles near the Turkish-Soviet border if the Russians removed their missiles from Cuba. Nothing was said about this at the time. However, shortly after the Soviets pulled back from Cuba, the US removed its missiles from the sensitive spots in Turkey." Feld also claims that President Anwar Sadat's historic journey to Jerusalem in 1977 was facilitated by earlier contacts and exchanges between Israeli and Egyptian Pugwash scientists.

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Arguably, Pugwash's mode of operation is more effective in an international political climate of secrecy and distrust. But if we are witnessing a dawn of new amity and co-operation between East and West, and if war as a means of settling disputes between nations is becoming obsolete, as some optimists believe, has Pugwash still any reason to exist? Are not other organisations that work for a better world, and do so more aggressively than Pugwash, suited better to tackle science-related problems such as pollution?

The early Pugwash members are, and

Continued on Page XXVI

The Long View

A gilt-edged vacuum waits to be filled

SO BRITAIN has bounced back onto the global investment map with a vengeance. After lagging badly last year, when it underperformed the World Index by 16 per cent, the UK equity market leapt to the top of the international performance league table in January and has not done badly so far in February, either.

It's nice to be popular again. But you have to ask whether a global market led by the UK, struggling with its balance of payments problem, is really healthier than one led by the Japanese market, backed by the world's strongest economy. For all Tokyo's ability to hit new all-time highs, the fact is that it has trailed most other major markets so far in 1989. One element behind the London rally is that global investors have had to search a lot harder for value.

Domestically, as London's equity market-makers struggle to get their books the right way round, the problem of volatility has re-emerged. January can be a dangerous month to stay out of the market: The famous example, of course, was that of January 1975 when the All-Share index went from 66.89 to 102.13. Cash flows tend to be strong in the early part of the year but supply of stock is weak: in the past three years, only 10 per cent of annual issues have been launched in the first quarter. Certainly, this year's rally has flourished in the absence of a new issue response. But this week there were signs that finance directors were taking note.

They have plenty of scope. This ought to be the year when no pet project need go unfinanced. Although the underlying annual institutional cash flows of £20bn or so are not that buoyant – being held back by pension fund contribution holidays – they should have much more impact on the capital markets in 1989.

One reason is that fund managers will not be banking £4bn – as they will probably be shown to have done last year when the figures come out – but will actually want to run down their liquidity, which could have ended 1988 at over 5 per cent for life and pension funds. The other, more extraordinary, factor is that the Bank of England's gilt-edged buying-in programme is now starting to have a major impact.

Net re-purchases of Government stocks dated five years and over were already up to £1.5bn by the final quarter of 1988, and could be nearing £4bn a quarter by the end of this year. Not all of this will come from the UK investment institutions, but they could easily divest £8bn during 1989.

If you add all this up, the institutions could see the need to invest more like £25bn in long-term assets during 1989 than the £16bn or so that they committed in 1988. It does not by any means all have to go into UK equities. But as a first stage, within the past few weeks the UK equity market has been pushed back up more or less into line with overseas markets.

BARRY RILEY

Heavy re-purchases of gilt-edged are starting to pose unfamiliar questions for the London markets. But the initial impact has been highly positive.

Within limits, the Treasury will be satisfied at this year's revival of sentiment. But if the rally continues and turns into a bull market, there will be increasing concern that the consumer confidence undermined deliberately by the pricking of the house price bubble could be restored prematurely again. Already, there are signs – in the upward revision of the December retail spending figure, for instance, and in the jump in January new car registrations – that the economy might not be cooling off as fast as the authorities would like.

Ideally, the way around the institutional problem would be a surge of domestic issues, notably corporate bond issues which would replace gilts (and, incidentally, serve to fund corporate bank borrowings, with a highly welcome impact on the monetary growth figures that also have been rather more buoyant than the Chancellor would have chosen). Alternatively, enterprising investment banks could promote "synthetic" gilts constructed out of a combination of US Treasury bonds (of which there is certainly no shortage) and currency swaps.

Another possibility is that foreign governments could launch sterling issues as high quality gilt-edged substitutes. But this would be flirting with danger. Only institutions in countries with solid balance of payments surpluses can act safely as global financiers. This is what the Japanese life companies are doing, and bankers have found recently that selling sterling Eurobonds to Japanese investors can be a useful way of financing the UK payments deficit.

Those Japanese investors, however, have tended to burn their fingers on foreign bonds because of currency losses. And as a mirror image of that problem, there are disturbing risks for the UK of currency instability. Already, sterling is potentially vulnerable to a loss of foreign confidence, given the need to attract overseas funding for the balance of payments at an annual rate of close to £20bn. As it happens, sterling has been remarkably stable, albeit at the cost of very high domestic real interest rates. But if it looked like cracking, domestic investors could rush into overseas equities and foreign currency bonds.

We are in unfamiliar territory here. Normally, external deficits go hand in hand with internal deficits and in the capital markets, therefore, supply broadly meets demand. But in the UK we now have a public sector surplus, creating a dearth of domestic investment opportunity, at the same time as there is a serious current account deficit. Very high interest rates are required to attract foreign short-term capital while, at the other end of the yield curve, low long-term interest rates threaten to have the effect of driving domestic funds overseas.

Common sense suggests that the vacuum will be filled by a surge of domestic issues. Those equity market-makers certainly hope so.

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FINANCE & THE FAMILY THIS WEEK

British Steel shares: is it sell or hold?

The share price of British Steel, after a slow start, raced ahead to reach 79p on Wednesday this week. But is this the right moment for small investors to *take their profits*, asks Philip Coggan. Page III.

M&G squeezes unit trust rivals

Unit trust giant M&G has declared that it will not be raising charges for investors – and other groups which have done so are now feeling somewhat vulnerable. John Edwards guides you through the maze of costs. Page V

How to choose a new accountant

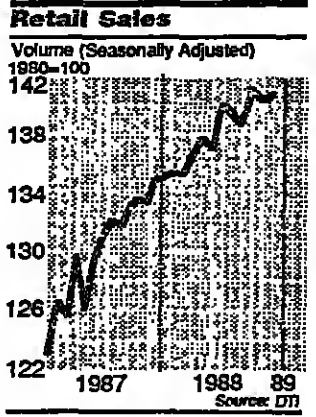
Need help with your investments? Do you have problems with your tax, a working spouse or children to whom you want to leave money or property? Heather Farmbrough supplies a guide to the best method of choosing a personal financial adviser. Page V

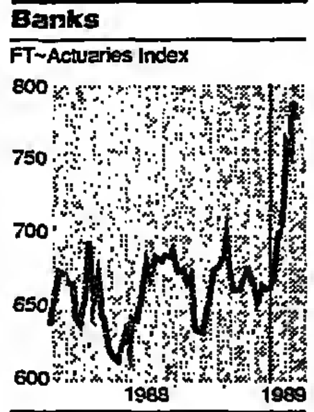
Vintage vans with hidden assets

In our Minding Your Own Business Page, edited by Roy Hodson, how the manufacture of 'vintage' vans led to handsome profits for one small business entrepreneur, plus the best ways to make your bank manager happy. Page XIII

■ BRIEFCASE: A guarantor's disaster: Page VI

■ UNIT TRUSTS: Focus on Allied Dunbar: Page VI





Retail sales show small rise

High interest rates may not be as effective as first thought in limiting consumer expenditure, judging by retail sales figures for December. Retail sales volumes rose 0.3 per cent in December after allowing for seasonal variations. But the Treasury said that the December level was only a little higher than in July, suggesting that consumer demand is slowing down. Figures for the three months to December show sales volumes were 1 per cent higher than the previous three months and 5.5 per cent higher than the period a year before. Sales for 1988 were 6.5 per cent higher than in 1987. *Heather Farmbrough*

Mixed week for banking sector

The banks sector tended to lag behind the rest of the stock market this week, with Barclays and NatWest recording good progress but Lloyds and Midland both down over the five-day period. NatWest was the best performer, with the shares stimulated by a "buy" circular issued by John Tyce, banks analyst at the Nomura Research Institute. Tyce highlights NatWest partly on the basis that the bank has the smallest exposure to problem country loans. Barclays has the next lowest exposure of the "big four" banks, followed by Lloyds and Midland. It was worries about further provisions for these loans that held back share prices of the latter two. The preliminary reporting season starts on February 21 with figures from NatWest. Midland reports on February 23, Lloyds on February 24 and Barclays on March 3. *Stephen Thompson*

Drop in level of personal savings

As the UK has become more affluent, personal savings have fallen, according to an Economic Progress Report issued by the Treasury this week. On average, people saved around 4 per cent of their total personal income in 1987. The report suggests that the wealthier people feel they are, the more confident they are about their future level of savings and the less they feel they need to save. It estimates that personal net financial wealth (holdings of financial assets such as building society deposits, less liabilities such as mortgage loans and consumer credit) has risen steadily as a share of GDP over the 1980s. Another contributory factor to the reduction in personal saving has been buoyant equity markets over most of the decade, according to the report. *Heather Farmbrough*

Building societies' 'lost' investors

Thousands of building society investors are losing out because they have failed to notify a change of address, according to Nationwide Anglia. The society says that every year it finds itself with some 15,000 accounts, where statements are returned "not known at this address." Consequently it has no idea where the investor now lives and had to demand proof of identity when the account holder sought to draw out money. *John Edwards*

Conveyancing services offer

Town & Country has become the first building society to announce plans to provide conveyancing services once changes in the law are enacted. Ian Bell, managing director, said the society plans to offer conveyancing as part of a home-buying package. *David Barchard*

LONDON

Footsie settles for penance and profits

CARNIVAL is over, and the market appears to have decided to *take profits for Lent*. George Bush and the Old Lady – not the First Lady, it must be stressed – played a key role in the change of mood, but equities were already showing signs of penitence over recent weeks of rip-roaring optimism.

The lukewarm initial response to the US President's maiden Budget speech on Thursday night was blamed for Friday's opening weakness, which pulled the FT-SE down to 50 points below the post-crash peak touched two days previously. It only got worse when Wall Street opened sharply lower, and Footsie ended Friday at 2056.1, a 13.8 point fall on the week.

But the more significant signal was domestic, in the form of the Bank of England's cautious Quarterly Bulletin published on Thursday. Unlike the equity market, which has been discounting at least a token early cut in interest rates, the Bank remained unconvinced that the Chancellor's six-month regime had done the trick.

The Bank said that it was still too early to tell whether higher rates had been in effect long enough to curb demand sufficiently to reduce inflation. It was also sceptical about the wisdom of including any further tax cuts in the March Budget.

There was a similar straw in the wind on Monday, when revised retail sales figures for December showed volumes up by 0.3 per cent, rather than the 0.1 per cent decline originally reported last month – one of the catalysts for the subsequent strong advance in share prices.

The FT-SE 100 lost 25.6 points on Monday, before recovering to peak at 2096.2, a post-crash closing high, on Wednesday, a day on which it touched 2106.1.

Most analysts have now officially raised their year-end forecasts for the market – County NatWest WoodMac sees Footsie at 2300, Warburg Securities at 2250, for example – but they expect a period of consolidation at around current levels in the run-up to the Budget. Also, by mid-March, full-year results for 1988 and the comments which accompany them should begin to give a clearer picture about the prospects for corporate profits.

In the meantime, the canny buying is likely to be limited to sectors which have underperformed so far this year.

After Washington and New York, the US city most in the London limelight was a curious one: Milwaukee. Its favourite son, Manpower's Mitchell Fromstein, unveiled his first results as chief executive of Blue Arrow, the world's largest employment agency. Profits for the year to October 31 came in at £75.1m pre-tax (against expectations of £110m at the time of the Manpower takeover), proving that any forecasts can be met if it is reduced far enough.

Fromstein argued that the purveyors of the previous forecasts "did not have a grasp of what the world market for employment services was all about." Now that he is in the hot seat, involuntarily vacated by Tony Berry in January, Fromstein has dropped all suggestion of partial disposals or a restructuring of the group. Blue Arrow shares made a small advance on the week, to 90½p by Friday afternoon, but this compares with the 166p price of the group's ill-fated rights issue in 1987.

Milwaukee also made a cameo appearance in the affairs of Berisford International, formerly S&W Berisford, the owner of British Sugar and a variety of commodity trading and property development operations. A Berisford affiliate in the US is involved, at arm's length, in a $643m hostile bid for Universal Foods, a cheese and yeast producer based in the Wisconsin city.

Quite how involved was a matter of dispute between Berisford and its largest shareholder, Garry Weston's Associated British Foods. Berisford's shareholders left Tuesday's agm no wiser when directors refused to entertain questions on the subject from ABF.

Two hostile bids were tied up in court – Local London's £78m offer for Marina Developments in the property sector and First Technology's £21m bid for engine and transmission designer Ricardo Group. In speciality chemicals, Evode tossed in an uninvited £78m all-share offer for Chamberlain Phipps. The latter has escaped unwanted attentions before, from Wardle Storeys in 1987, but the precedent might not hold this time.

NFC, the transport and distribution group which has been largely owned by its workers since the Government got out of the business in 1982, made its long-awaited stock market debut on Monday. Shares hit a first-day high of 277½p, before closing at 248p. By Friday afternoon they had risen again to 261p, putting a £938m price tag on the group, taking into account the one-for-eight rights issue which accompanied the flotation.

Although the joint bid by the General Electric Company and Siemens for Plessey was kicked into touch by last month's Monopolies referral, shadow-boxing continued unabated. The predators unveiled a revised structure for splitting up their target, in an effort to convince the Ministry of Defence and the MMC itself that competition would be maintained in the defence sector if a new bid was allowed to proceed.

Plessey, meanwhile, having failed in January to get a break-up bid for GEC off the ground, appeared to be musing about a possible demerger to foil its antagonists. The plan would involve splitting Plessey's telecommunications interests – the half share in the GPT joint venture with GEC – away from the rest of the group.

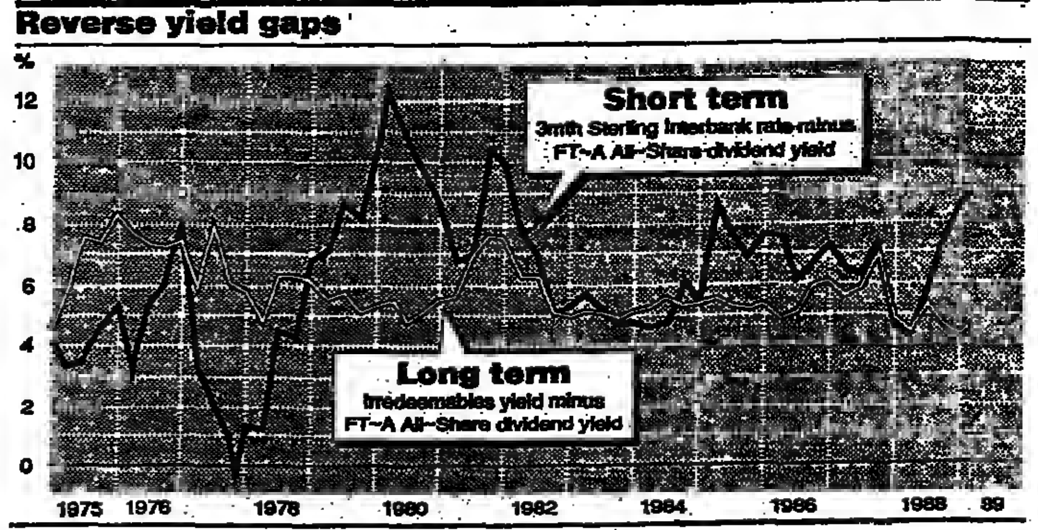
At the least, the argument went, such an arrangement would call attention to the value of Plessey's constituent parts and force GEC and Siemens to raise their ante. With good fortune, it might even push the share price beyond a point which the Anglo-German suitors would be willing to go. Plessey shares resisted the market's downward drag, ending the week only 1p lower at 243p.

Two companies in the service sector, meanwhile, made contributions to the debate over accounting for goodwill. Hodgson Holdings, the most active of the USM's trio of acquisitive funeral directors, became the first UK company to give a balance-sheet value to the names of its subsidiaries.

The much larger BET, on the other hand, steered clear of this course for the time being and announced plans to issue up to $500m in preference shares in the US, at a huge premium to their nominal value. The resulting share premium account, BET argues, will give a cushion against future goodwill write-offs and allow the group to buy in up to 5 per cent of its shares. This, as one broker put it, is largely an "optical exercise," since the securities will clearly be debt rather than equity.

Clay Harris

Reverse yield gaps



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1988/89 High	1988/89 Low	
FT Ord Index	1680.9	-8.1	1714.7	1349.0	Wall Street easier.
AAH Hldgs.	385	+58	385	251	Hoare Govett 'buy' recommendation.
Acatos & Hutcheson	229	+41	506	181	Management buy-out speculation.
Alba	145	+17	150	88	2m share placing by Prestwick.
Aquascutum A	98	+26	98	62	'A' shares regarded as undervalued.
BICC	480	+22	489	302	Bid speculation.
Brent Walker	341	-20	431	288	Takes 10.8% stake in TV-am.
Bridon	198	+15	204	137	Demerger of TWIL interests.
Chamberlain Phipps	199	+56	199	118	Share exchange offer from Evode.
Glamar Group	157	+62	178	65	New chairman has 30% stake.
JSB Electrical	383	+70	383	133	Agreed £25.2m bid from Emess.
Ladbroke	530	+21	541	322	Thomson T-Line board recomm. bid
Miller (Stanley)	188	+18	243	56	Cleared by insider trading inquiry.
Personal Computers	220	+80	290	138	£11.5m bid from P & P.
Rank Organisation	936	+81	936	552	Rank Xerox Corpn. speculation.

WALL STREET

Bulls' chase is far from over

THIS IS no time to be faint hearted. The sceptics may be stunned by the frivolous approach to US budgetary problems displayed by President George Bush on Thursday night. They may be appalled by the clear portents of inflation revealed in yesterday's producer price figures, which showed the biggest monthly jump since 1981.

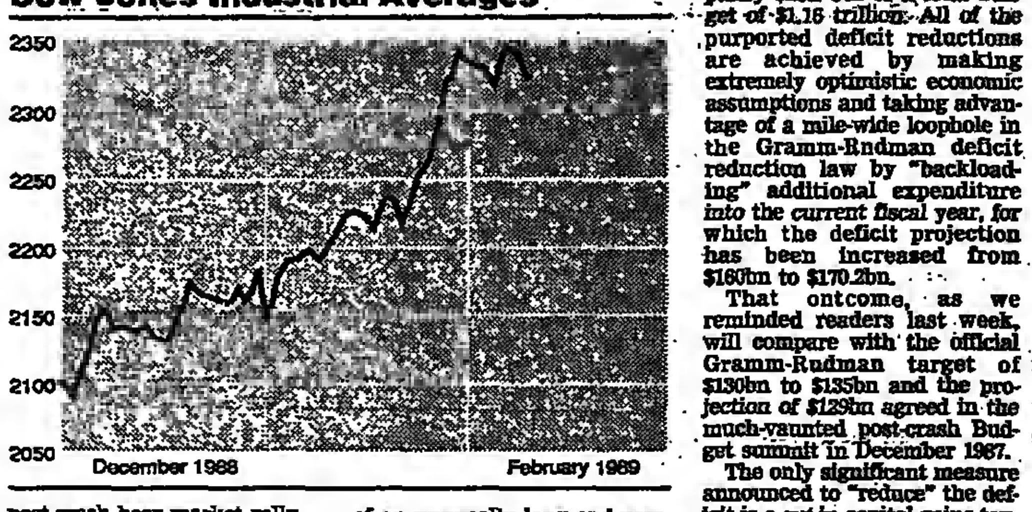
They may be depressed by the fixed interest investors' churlish indifference to the less than irresistible bargains on offer from the US Treasury – such as a 30 year bond yielding below 9 per cent pre-tax at a time when inflation is climbing through the 5 per cent mark.

The fact remains, however, that the mini-bull market in equities is probably still far from over. And anyone who had enough of the gambler's spirit to chase the Dow Jones industrial average up from 2,100 to 2,300 might be quite rational to stay on board for *another 200 points*.

The reason for this unexpected optimism is simple. All the political and economic news the financial markets have digested in the past month has been as bad, or worse, than the most pessimistic expectations. Despite this catalogue of woes the stock market has soared to almost daily post-crash highs. Thus, it seems likely that the stock market is losing touch with economic and political reality, much as it did in early 1987. And experience suggests that a strong speculative bias of this kind takes more than a few weeks of negative news to unwind.

A target of 2,500 on the Dow is becoming popular among Wall Street analysts. Considering this was about the point where the crash of 1987 began in the week before Black Monday, there would be a satisfying historical symmetry if 2,500 turned out to be the peak of a post-crash bear market rally.

Dow Jones Industrial Averages



Indeed, considering how bad the news has been recently, the market could well enjoy *another burst of optimism* in the not too distant future if some of the clouds seem to be lifting – as a result, for instance, of the Federal Reserve Board making a clearer demonstration of its anti-inflationary zeal by raising the discount rate.

Taking a longer view, however, it is hard to see how present valuations in the stock market could be sustained, even despite the slightly better than expected corporate earnings and dividend announcements which are still coming in. For it is becoming clearer by the day that the US economy is entering the inflationary blow-off period at the end of an unusually long and powerful business cycle. And policymakers in Washington seem as determined as ever to repeat their traditional *mistakes* of tightening fiscal and monetary policies by too little, too late.

On the economic front, the US trade deficit has stopped improving. Inflationary pressures have intensified, not only as a result of soaring energy and food prices, but also *because of shortages of labour*. Most importantly of all, the clearly necessary adjustment in the structure of the US away from borrowing and consumption towards greater production and international competitiveness has gone into reverse.

In terms of policy, the Federal Reserve Board's efforts to control inflation and gently dampen economic growth appear increasingly ineffectual. Meanwhile, Bush's budget speech on Thursday lived up to the worst fears that briefly gripped the world's financial markets immediately after he was elected President.

Bush wants to increase most major categories of spending above the plans put forward by President Reagan. His cuts in defence spending amount to a paltry $2bn out of a total budget of $1.16 trillion. All of the purported deficit reductions are achieved by making extremely optimistic economic assumptions and taking advantage of a mile-wide loophole in the Gramm-Rudman deficit reduction law by "backloading" additional expenditure *into the current fiscal year*, for which the deficit projection has been increased from $160bn to $170.2bn.

That outcome, as we reminded readers last week, will compare with the official Gramm-Rudman target of $130bn to $135bn and the projection of $129bn agreed in the much-vaunted post-crash Budget summit in December 1987.

The only significant measure announced to "reduce" the deficit is a *cut* in capital gains tax. President Bush expects this tax cut to raise $5bn of extra revenues. To add insult to injury *he then proposes to spend* much of the "extra" revenue to introduce additional tax breaks on virtuous activities ranging from oil drilling to inner city rehabilitation and child care.

In view of these proposals, the market's best hope would now appear to be that *President Bush's budget*, like the preceding plan presented by Reagan, will be pronounced "dead on arrival" by Congress. And that is hardly an enticing prospect

Monday	2281.07	− 10.18
Tuesday	2347.14	+ 26.07
Wednesday	2343.21	− 3.93
Thursday	2323.04	− 20.17

Anatole Kaletsky

JUNIOR MARKETS

Small fry are left in the pool

THERE IS nothing quite like a determined rally to separate the big fish from the minnows. In any buying spree, the leviathans of the market tend to power ahead, leaving the small fry on the Unlisted Securities Market far behind.

Rarely has this been better illustrated than in the last few months. Since the trough of mid-December, the USM has moved up by some 13.9 per cent. That is a singularly impressive performance – until it is compared with the 17.4 per cent advance of the FT-A All Share index.

Will USM shares catch up? The professionals' answer appears to be a tentative yes – although a prolonged consolidation by the main market could have a dampening influence. "The USM and smaller companies represent better value than for some time," says Ian Paterson-Brown, company secretary at First Charlotte Assets Trust. "At some stage there will be a re-rating."

The reason for this optimism is because – as far as big moves are concerned – what the main market does today, the USM does tomorrow. USM shares were slow to join the party in the year before the 1987 stock market crash, only to catch up and produce some spectacular fireworks in the last few months of the bull market. Conversely, in the crash, the initial shock was less severe, although the eventual hangover was far greater.

The explanation of this lies with the priorities and psychology of the institutions. When, like last month, fund managers frantically chase a bandwagon, they will tend to focus on large, visible companies, particularly those in the FT-SE Index. On top of that, there is the hassle of buying and selling small company shares, which have notoriously "thin" markets.

Small investors, dealing in just the odd hundred shares, may not share these problems. So in a rare example of a case when private investors score over institutions Aunt Agatha might be able to nip in ahead of the large fund managers.

There is, also, a catch. Investors who dabble in smaller companies stocks are exposing themselves to far more risk than if they stayed with the bigger counters.

According to Professor Paul Marsh of the London Business School, it would be necessary to have about 50 smaller company shares in a portfolio to match the risk incurred by having 20 larger shares. Furthermore, by concentrating on USM shares, a specialist corner of the smaller company scene, it is impossible to get the same level of diversification.

As a result, investors may be well advised to turn to a managed fund. The principal players are two investment trusts – Throgmorton USM Trust, and First Charlotte Assets Trust, run by Ivory & Sime – and the Temple Bar USM unit trust run by Guinness Mahon. This has a £10,000 minimum investment and is owned mainly by institutions. How have these funds performed?

This week, Throgmorton USM Trust, which sports Ashtead, Pepe, Jacques Vert and Radio Clyde among its major shares, reported a creditable 13 per cent increase in its net asset value in 1988. This was achieved in a year when the FT-A All Share index notched up a 6.5 per cent gain and the Datastream USM leaders index rose by 7.5 per cent.

This trust was launched at the start of 1986. Since then, the shares have outperformed the USM, up 82 per cent compared with a 59 per cent rise on the USM. In the meantime the trust has increased its own net asset value from 94.5p to 155.5p – an increase of 65 per cent.

First Charlotte, which was launched in early 1981 has, not surprisingly, shared the rather lacklustre performance of the USM since its inception. Since 1981, it has chalked up a 57 per cent rise, compared with a 70 per cent increase on the USM. Its net asset value has risen from 9.53p in 1982 to reach a peak of 22.3p in September 1987, after which it fell to 14.0p in March 1988.

'More general funds are able to fish in a larger pond'

The £7.5m Temple Bar USM fund, which counts Radio Clyde, Campbell & Armstrong, and Misys among its top three shares, managed a 8.3 per cent rise in 1988. Over the last three years, its value increased by 113.6 per cent, while over five years it chalked up a 226.3 per cent gain.

On the face of it, the performance of these funds appears somewhat uneven. But it would be unfair to compare them too directly. As well as being launched at different stages in the history of the USM, the funds each have a different emphasis.

Throgmorton is virtually a pure play in USM stocks, whereas First Charlotte Assets Trust and Temple Bar have about 40 per cent and 75 per cent respectively of their portfolio in USM shares. As well as being able to fish in a larger pond, the more general funds have the advantage of keeping growth companies as they are acquired or move to the main market.

Vanessa Houlder

Ultramar stays in the shadows

ULTRAMAR, the UK oil group, has in recent weeks joined a strange shadow play involving obscure gestures between the company's management and a group of Canadian investors who seemed ready – or did they? – to launch a takeover bid.

It has been a good show, if only because Ultramar's shares have risen smartly. But small investors are now faced with a difficult choice: is it time to *bail out*, because the show has come to an end, or is it better to hang on, because the players are about to move out of the shadows and begin a real takeover battle?

Within a few weeks the answer should be known, and when it is Ultramar shares will move sharply.

Ultramar is a perennial takeover candidate because it is rich in assets which could potentially be sold for considerably more than its current market capitalisation of £1.04bn. However, a bid has not yet come because *Ultramar is* not a creature that can be easily dismembered, with ready buyers found for the parts.

The market was excited about the entrance of Canadian investors in early December, since with local Canadian interest a key obstacle for a break up of the group was eliminated. A local buyer for Ultramar's Canadian oil refining and marketing business was thought necessary to assuage concerns of the Government. Unigesco and Noverco, the Canadian corporate investors, made little secret of the fact that they coveted that part of the group.

Ultramar blew the whistle on these new, potentially hostile investors when, after a Section 212 inquiry to identify nominee shareholders, it announced that the Canadians, together with Banque Paribas, held 4.3 per cent of the company. This sent its shares soaring. Ultramar stirred the waters *further two weeks ago* when it said that the Canadians had contacted large oil companies and investment institutions in an attempt to assemble a consortium bid.

John Darby, Ultramar chairman

But then, suddenly, Banque Paribas dropped out of the game, selling its stake, earning a rather nice profit and leaving the Canadians holding just 1.5 per cent. This stake too is rumoured to have been sold now.

This news may have – perhaps should have – killed the market for Ultramar shares, but it did not. Shares that were offered into the market were quickly snapped up.

"The one hundred million pound question now is where has that stock gone?" says Stephen Turner, an analyst at Smith New Court.

If it is dispersed among many buyers, and no potential bidder emerges, Ultramar shares could fall sharply. On the other hand, with Ultramar keeping a close eye on its share register, any stake-building should become apparent soon, and if a bid materialises most analysts expect the shares could eventually rise to between 350p and 400p, compared with a price this week in the low 300s. What should shareholders do in the meantime?

The answer probably depends on tolerance to short term risk. Without knowing if a real takeover possibility exists, it could be a good time to take profits for those pained by the thought of seeing the shares fall sharply, perhaps by 50p or more, if bid hopes are dashed.

On the other hand, Ultramar is a much better company today that it was in the recent past and almost every part of the business stands to see significant improvements in the next year or two. Although the management, mostly based in the US, is not wildly popular in the City, most analysts agree that its recent moves have been sound and that the appointment of John Darby as chairman last year was welcomed.

By 1990 the volume of Ultramar's liquified natural gas sales from Indonesia will rise as an export contract to Taiwan starts up. A refinery expansion in Quebec will be finished, and a number of unfavourable sales contracts at the recently-acquired Wilmington refinery in California will come to an end. The outlook for oil prices now appears relatively strong and this will improve performance of the oil exploration and production side of the business, which is concentrated in the North Sea.

This means that the medium term risk of holding the shares may not be very high. And the possibility of a bid always remains, and perhaps would increase, after Ultramar shares settle down to a more attractive level. Big oil companies, currently busy with several large auctions of North Sea assets, may later turn to Ultramar if their appetite for expansion is not satisfied. The Canadian investors have widely advertised their interest in buying the Canadian side of Ultramar, and whether they hold a significant stake in Ultramar or not may prove to be immaterial.

Steven Butler

Outlook for equities holds key, says **Philip Coggan**

Sell now or hold: the British Steel dilemma

IT MIGHT HAVE taken a little time to start motoring but British Steel's share price has accelerated ahead over the past few weeks, touching 79p on Wednesday.

That price represented a 31.7 per cent gain over the 60p partly-paid price when the company was privatised in December. Is this the moment for those private investors who braved a wobbly stock market and backed the issue to take their profits?

In part, tha strong performance of Steel's share price has been boosted by the buoyant trend in the equity markets, which carried the FT-SE 100 index past 2,100 briefly this week. Such a rise has a particular effect on Steel because of the geared nature of the partly-paid shares.

So, any judgment on the right moment to sell must be tempered by a view on the overall outlook for equities. At the moment, the consensus seems to be that we are due for a period of consolidation after the January-February rally.

But what about the factors which are affecting Steel in particular? At the time of the flotation, analysts felt that demand for steel in Europe was likely to fall in 1989 as the long economic boom started to falter. However, January steel production figures were extremely encouraging and analysts now think the fall in demand will be delayed until at least the middle of the year.

Accordingly, Kleinwort Benson's Matthew Sutherland has increased his profit forecast for the year to March 1989 from £550m to £590m. And Steel's shares still look cheap compared with overseas steel companies.

BS chief Sir Robert Scholey

Many investors, having come this far, will doubtless be tempted to hang on until the first dividend of 5p is paid in August. If Steel's share price stays at around 79p until then, the investor will have made an impressive 40 per cent gain on the partly-paid price in nine months.

Of course, it is not quite as simple as that. Share prices reflect the pattern of dividend expectations; and when Steel shares go ex-dividend, the price is likely to drop by 5p and perhaps more. The second instalment on the shares is due in September and many investors may want to sell rather than pay it. That is likely to cause a fall in the share price.

So, the shareholder who holds on too long could be caught by a "double whammy" as the price is hit by going ex-dividend and then by the second instalment.

Those investors who went into Steel for a quick return may be best placed by selling now. However, it is hard to tell how many of the investors had short-term horizons.

Immediately after the £2.5bn offer-for-sale, Steel's share price was sluggish, and that must have discouraged many private investors from selling their allocations. Indications are that more than 500,000 individuals still own shares, compared with the 650,000 who subscribed to the offer.

In any case, comment in the financial press at the time of Steel's flotation centered around the yield attraction of the shares, rather than the potential capital gain. Those who hold shares for their yield attraction are generally long-term investors — short-term movements in share prices do not affect dividend payments.

The prospective gross dividend yield on the fully-paid price was 8 per cent, and that rose to an annualised 16 per cent for those investors who wanted to buy the partly-paid shares and then sell after the payment of the first dividend.

The real question for yield-conscious investors is whether British Steel can maintain, or increase, its dividend payments. That should be more than possible if the European economy can avoid recession.

INTEREST BEARING ACCOUNTS — a comparison

	National Westminster current plus	Lloyds Classic	Midland Vector	Midland Orchard	Midland Meridian	Barclays Instant	Barclays Interest	Abbey National	Nationwide Anglia
Credit interest	6%	£1-499 4.5% £500+ 6.5%	7%	£1-250 5% £250 - £1,000 6% £1,000+ 7.5%	£0-1000 6.5% £1,000 - £2,000 7.75% £2,000+ 8%	£0-499 4.5% £500+ 6.5%	£0-499 4% £500 + 6.0%	5%	£0-99 3% £100-499 4.5 £500+ 6%
Interest on overdrafts	Credit Zone 22.1% APR	Over £100 APR 22.4%	£0-250 free £251—£1,000 APR 19.2% £1,000 + neg	APR 23.1%	£0-5,000 APR 19.5% Other banded rates apply	N/A	APR 22.7%	APR 19.5%	APR 23.1%
Fees	£10 per quarter fee only if used	£6 per month if borrowing exceeds £100	£10 per month even if in credit	£5e per month if overdrawn in month	Free if average balance is greater than £1,000 debit or credit,otherwise a fixed £10 monthly fee	Free (but no cheque book)	2% min — £10 for first year then £10 per annum	Free	Free

Source: National West's market intelligence department.

NatWest makes the paying easy

NATIONAL WESTMINSTER has taken the plunge and followed the three other big high street banks into the interest-bearing current account market.

Paying interest on current accounts will be more costly for NatWest than the other clearers because it holds nearly £11bn in deposits. But the new Current Plus Account, unveiled on Monday and available from March 13, looks very inviting in some respects, not least for being being simple and straightforward compared with its rivals.

It pays 6 per cent interest on credit balances, no matter their size, which is more than the other banks offer. In common with Barclays, NatWest also has scrapped transaction charges.

Customers who want to retain their existing non-interest bearing current accounts can do so; transaction charges have been ended for them, too. But as Roger Flemington, NatWest's chief executive for UK financial services, pointed out, people may not want to switch to the new account if they go regularly into overdraft hecause of the high costs involved.

About 40 per cent of NatWest's customers go into overdraft in each quarter of the year and 60 per cent do so at least once during tha year. Under the new account, those who run into overdrafts without getting prior agreement from the hank face high charges.

There will be a quarterly fee of £30 for any unauthorised overdraft above £100. Under that figure, the charges will be £10 a quarter.

However, there could also be additional charges for each angry letter from bank managers to overdrawn cnstomers and for each bounced cheque. These would make the total overdraft charges very hefty indeed.

If you are the sort of person who is going to run into difficulties of this kind, NatWest is probably not very interested in having you.

From a banking point of view, the beauty of Cnrrent Plus is that good customers will be attracted hy the high interest rate while had ones will be likely to move on to other hanks once tbey have tasted the pretty exorbitant charges for large unauthorised overdrafts.

Sifting out good customers from bad is the underlying aim of all the new interest-bearing current accounts. NatWest's formula looks more likely to achieve this aim than the new accounts offered by some of its rivals.

Even customers who keep an average of £500 in their bank accounts look likely to end up out of pocket at the end of the year if, for example, they gravitate to one of Midland's new accounts. Unless Midland scraps the monthly £10 charges that go with these, it could find some of its current account customers looking elsewhere.

Both Lloyds and Midland will also surely have to think about following the example of Barclays and NatWest and scrapping transaction charges on overdrafts.

Meanwhile, TSB England & Wales will be unveiling its interest-bearing current account next week, whicb means tbat all the top half-dozen banks will now offer them.

Whether this will stauncb the flow of customers to Abbey National and Nationwide Anglia remains to be seen; Abbey National's current account still looks quite competitive beside those of the banks.

If you keep yoor current account in credit, now is the time to be asking your bank to transfer to one of tbe new accounts.

David Barchard

House prices set to slump

AS LAST year's party in the housing market winds down, fears of a painful hangover are intensifying. This week Morgan Grenfell, the merchant bank, published a report offering not a cure but a guide to how the morning-after might feel and the prospects for recovery.

First the bad news — at least for existing home-owners. House prices are going to fall steeply this year, the bank believes. After rises well into double digits in the second half of 1988, a correction is thought inevitable with some regions faring much worse than others.

How fast and how far prices will fall is not clear. The bank makes no forecasts, looking instead at the drop needed to bring prices to affordable and sustainable levels relative to average incomes. But assuming earnings grow by 10 per cent this year, UK prices will need to fall by more than 20 per cent if adjustment is to be completed in 1989, the bank estimates.

However, the structure of the bousing market means adjustment could take some years. Sellers will not want to make a loss on properties and a slump in turnover will disguise falls. Meanwhile, incomes will continue to rise, providing support for prices.

The good news is that eventually, perhaps in a year or two, prices will start to rise — but at a modest pace.

The bank's theory goes like this. House prices are linked to earnings, with the amount bnyers are willing to pay dependent on what they can afford. From year to year the ratio of prices to average earnings will vary, but only around a trend line.

That trend line is not flat. Since the 1970s, an increasing number of mortgages are based on two incomes or more, and households are prepared to spend a larger share of their earnings on housing. This has pusbed higher the point at whicb the ratio becomes unsustainable.

From 1984, however, the price/earnings ratio accelerated way above trend. Building Societies Association figures show that early last year it rose above 4, compared with averages of about 3.8 and 3.5 in 1987 and 1986 respectively.

In part, the rise was fuelled by speculation. More recently, changes in the tax treatment of multiple mortgages, announced in last year's Budget, gave an extra push before the August deadline. That growth now looks likely to be checked.

Another factor has to be borne in mind. The strength of recent rises has pushed out lower-income borrowers to such an extent that many existing owners could not afford to buy their houses at present prices. These will have to fall relative to incomes before these lower earners re-enter the market.

The bank's estimates of the adjustment needed to return to trend price/earnings levels are set out in the table. At first sight it looks alarming; but remember that the adjustment set out in the fourth column could be achieved by incomes rising as well as prices falling.

In practice, earnings will ease a lot of tha strain. If, for instance, average earnings in the south-east increase by 10 per cent this year (a reasonable assumption), prices need fall by only 21 per cent and not the 31 per cent shown. If adjustment is spread over more than a year, the price fall in 1989 will be smaller still.

Inevitably, incomes growth this year will differ between regions, with Londoners likely to fare best. Morgan Grenfell believes the most vulnerable areas are the commuter belts in the midlands, East Anglia and the snuth-west, hit recently by big increases in rail fares.

The consolation is that after a period of adjustment, prices will start to rise once more in line with incomes. However, the market could feel fragile for some time to come.

Ralph Atkins

Adjusting house prices to sustainable levels relative to incomes

Region	Price rises in third and fourth quarters of 1988 %	Earnings growth in third and fourth quarters of 1988 %	Adjustment needed from end 1988* to return price earnings ratio to trend %
UK	18	5	-36
North	12	4	-7
Yorkshire & Humberside	26	4	-24
East Midlands	32	5	-43
East Anglia	15	5	-38
Greater London	9	6	-27
South East	13	5	-31
South West	20	5	-36
West Midlands	30	5	-41
North West	16	5	-8
Wales	26	4	-25
Scotland	8	4	0
Northern Ireland	4	5	-7

Source: Morgan Grenfell

Note * This adjustment may come from price falls or income rises.

FINANCE & THE FAMILY

NEXT WEEK

Big guns prepare to report

ECONOMIC STATISTICS lead off next week's calendar, with Monday's list taking in provisional retail sales figures for January. This week, share prices went down in the wake of revised figures for December, which showed an 0.3 per cent rise instead of a provisional 0.1 per cent decline.

In the week ahead, though, there will be other powerful stimuli in the shape of progress reports from some of the biggest names in British industry.

Monday's retail figures from the DTI come out in tandem with the January Survey of Distributive Trades produced by the Confederation of British Industry and the *Financial Times*. Peter Spencer, of Shearson Lehman, says market expectations for the former range broadly from a fall of 0.5 per cent to a rise of 0.8 per cent.

At the bottom end, the forecast reflects the knowledge that, with fashion retailers in decline, some sales that would have been held in January were launched before Christmas instead. At the higher end, some analysts believe January's mild weather will be reflected in better than expected performance.

After a quiet Monday, there are full-year results on Tuesday from Reuters Holdings, interims from Amstrad and first-quarter figures from Hanson.

Described as the heart and soul of the financial services revolution, Reuters has a well-known target of 25 per cent per annum profits growth. For 1988, however, chairman Sir Christopher Hogg was afraid that the strength of sterling could trim its sails.

Nigel Burton, of Flemings Research, concurs in a pre-results note that forecasts a 21 per cent rise to £217m pre-tax after a 24 per cent advance at the interim stage.

Reuters' share price, meanwhile, has been strong on stories that negotiations are taking place on the "orderly" conversion of the company's 100m "A" shares – a little under one-quarter of total equity – into more-tradeable "B" shares.


Reuters' Sir Christopher Hogg

The question for followers of Amstrad is what Alan Sugar, the chairman and chief executive of the computer and consumer electronics group, will say about second-half prospects when he unveils the interim figures.

A couple of years ago, he was running the fastest-growing computer company in Britain; since then, its share price has been extremely volatile. And while there is still much confidence about Sugar's ability to generate profits in a changing world, the consistency of them has come into question.

Last November, he told analysts about first-half production and components supply problems, and outside forecasts for 1988-89 profits came back. Rob Collins, of Kleinwort Benson Research, came down to £75m pre-tax for the first half (at the bottom end of a £75m to £80m range), against a reported £90m for the first six months of 1987-88. The full year, he reckons, might bring £175m against £160m previously.

Meanwhile, says Christopher Alexander of Shearson Lehman, Hanson's first quarter is unlikely to provide more than a tenuous indication of progress expected this year. He plumps for a rise from £169m to between £190m and £195m before tax, on the way to a £1.01bn (£880m) total for the year.

Privatisation stocks feature on Wednesday and Thursday, with third-quarter results from British Airways and British Telecom respectively.

Strong traffic figures have encouraged analysts to expect between £45m and £51m before tax from BA for the third quarter against £35m previously, with Andy Chambers, of Nomura Research Institute, at the top end of the range.

A year ago, BT was a defensive stock, almost to the point of boredom. This year, it has re-rated a sub-sector of the stock market – Racal Telecom, Racal Electronic, Securicor and Security Services – by paying a hefty $1.5bn for a piece of McCaw Cellular Communications in the US. It has not been popular universally for pulling the plug on telephone chatline services.

After some fine tuning to reflect slippage in volume growth, and higher interest costs, analysts expect BT chairman Iain Vallance to produce between £620m and £640m pre-tax for the third quarter against £574m at the same stage last year.

Towards the end of 1988, British Petroleum agreed to pay the Kuwait Investment Office £2.4bn for 790m shares to reduce the latter's holding in the company from 21.6 per cent to 9.9 per cent, as required by the Monopolies and Mergers Commission.

It also contracted to sell its minerals interests to RTZ for the same price, netting a prospective 3 per cent rise in 1989 earnings in the process.

However, some analysts can see 1988 earnings coming back from 24.9p a share to little more than 21p when the results come out on Thursday. They talk of lower than anticipated stock-holding gains, and possible asset writedowns upstream.

However, taking a line from statements made by the KIO after its shares disposal, dividend forecasts have been upgraded from 13.5p to 14p a share against 12.5p for 1987.

Finally, the spotlight could come back to economics. The PSBR surplus for January, out on Thursday, will reflect the high input of mainstream corporation tax payments which fall into that month, the health of companies, and the contribution they are making to government funding. This should help to set the scene for the Budget next month.

A prospective £7bn to £9.5bn surplus range, against £6.3bn for January last year, will give analysts some indication of what Chancellor Nigel Lawson might have at his disposal.

William Cochrane

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Arncliffe Holdings	Wednesday	1.17	2.0	2.0
British Petroleum	Thursday	4.5	8.0	5.0
BWD Securities	Wednesday	-	-	-
Cranbrook Electronic Holdings	Tuesday	-	0.5	0.5
Crest Nicholson	Thursday	2.0	3.7	2.5
Egerton Trust	Tuesday	1.25	3.5	2.0
General Cons. Invest. Trust	Wednesday	4.5	15.8	-
Independent Newspapers	Wednesday	4.5	9.0	5.0
Leslie Wise Group	Tuesday	0.5	1.5	1.25
Mersey Docks & Harbour Co.	Tuesday	-	-	-
Parkdale Holdings	Thursday	0.9	0.7	1.1
Reuters	Tuesday	2.3	5.0	2.8
Trencherwood	Wednesday	1.05	2.75	1.31
Tribune Investment Trust	Thursday	0.65	2.95	0.72
TR Pacific Investment Trust	Monday	-	-	-
Trust of Property Shares	Tuesday	-	0.667	-
INTERIM DIVIDENDS				
Abingworth	Tuesday	-	1.25	-
Alumasc Group	Friday	2.65	5.0	-
Amstrad	Tuesday	0.4	1.0	-
Armour Trust	Monday	0.2	0.709	-
Automagic Holdings	Tuesday	2.25	4.25	-
British Airways	Wednesday‡	2.25	4.65	2.5
British Telecom	Thursday‡	3.75	5.75	4.25
Charterhall	Thursday	-	-	-
Dalgety	Monday	6.0	9.0	-
GT Venture Investment Company	Tuesday	-	1.0	-
Hanson	Tuesday●	1.8	5.0	-
Herrburger Brooks	Wednesday	-	-	-
Honeysuckle Group	Thursday	2.0	3.5	-
Jos Holdings	Wednesday	1.05	3.2	-
Photo Me International	Thursday	2.0	6.0	-
Regentcrest	Friday	-	1.5	-
Riva Group	Tuesday	-	-	-
Sinclair Goldsmith Holdings	Tuesday	0.9	2.1	-
Transrap Holdings	Tuesday	-	0.5	-
Triton Europe	Monday	-	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.‡ thid quarter figs.● first quarter figs.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
Bassett Foods	400*§	566	400	82.94	Procordia
Bassett Foods	579	566	473	91.14	Cadbury Schw'pps
CSL Corp.	154	148	108	31.76	TIP Europe
Cambrian & Gen.‡	120*§	123	92	54.78	Leucadia
Camb. & Gen. Cap‡	145*§	150	105	22.52	Leucadia
Chamberl'n Phipps	185.2	197	154	69.64	Evode
Chapman Inds.	425*	420	350†	18.48	Munksjo AB
GT Management	180*	181	176†	91.50	Bk Liechtenstein
HPC Group	139	135	123	9.26	Sidlaw
Health Care	93§§	91	80	12.75	Compass Group
JSB Electrical	395	383	313	24.87	Emess
Johnstones Paints	290	225	206	24.15	Le Seigneurie
Marina Dev.	821§	488	380	77.71	Local London
Personal Comps.	230	220	140	11.55	P & P
Piccadilly Rad NV	317§	284	258	26.38	Miss World
Polytechnic Elec.	225	216	197†	20.25	Peek
Ricardo	145	138	125	21.08	First Technology
Ryan Int.	140*§	138	104	69.59	Digger
Thomson T-Line	90*	87½	50	151.95	Ladbroke Group
Viking Res.	55*§	59	57	22.0	Aviva Pet.

*All cash offer.††Cash alternative. ‡Partial bid. §For capital not already held.‡Unconditional.**Based on 2.30pm prices 10/2/89.†At suspension. §§Shares and cash.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Aaronson Bros.	Sept	5,820	(5,580)	12.2	(12.0)	5.75	(5.45)
Beckenham Group	Oct	1,670	(509)	8.6	(4.4)	2.6	(1.37)
Blue Arrow	Oct	75,100	(29,100)	6.8	(6.6)	1.8	(0.8)
Chestergate Grp	Oct	3,060	(1,560)	15.9	(8.2)	5.0	(1.0)
Hodgson Holdings	Oct	5,370	(2,320)	16.0	(11.6)	4.0	(2.3)
Inoco	Dec	2,290	(233)	1.62	(0.4)	0.225	(-)
Kemp PE Hldgs	Oct	177	(310)	2.7	(5.5)	1.5	(-)
Leading Leisure	Oct	5,150	(2,403)	6.8	(4.9)	2.0	(1.2)
P & P	Nov	7,510	(4,110)	16.0	(11.5)	3.0	(-)
Printech Int'l	Dec	1,650	(920)	8.5	(6.1)	2.5	(0.57)
St. Mowden Prop	Nov	5,330	(2,620)	3.5	(2.2)	0.8	(0.5)
Scandinavian Bnk	Dec	23,560	(26,580)	19.1	(-)	8.5	(8.0)
Scott American	Dec	8,807	(6,751)	2.81	(2.16)	2.57	(2.09)
Securicor Group	Sept	27,310	(20,020)	10.7	(8.7)	1.3	(1.18)
Security Service	Sept	21,810	(16,080)	12.2	(9.8)	2.5	(2.27)
Sycamore Holding	Sept	5	(156 L)	0.05	(-)	-	(-)
Throgmorton USM	Dec	833	(685)	2.76	(2.03)	2.0	(1.6)
Titaghur Jute	June	5,600 L	(4,880)	-	(-)	-	(-)
Union Discount	Dec	3,470	(11,060)	-	(-)	30.0	(28.7)
Ward Holdings	Oct	14,440	(12,892)	18.1	(15.9)	2.6	(2.4)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Bryant Group	Nov	31,100	(22,536)	1.4	(1.2)
Countyglen	June	127 L	(4 L)	-	(-)
Cray Electronics	Oct	6,070	(5,030)	1.05	(0.81)
Davies DY	Oct	504	(88)	1.5	(1.0)
Eldief	Oct	225	(152)	0.58	(0.53)
English & Caledonian	Dec	9	(54 L)	-	(-)
Excalibur Group	Oct	1,150	(692)	0.25	(-)
Hambros Currency Fnd	Dec	681	(848)	-	(-)
Hartley Baird	Oct	403	(272)	0.2	(-)
Helton Holdings	Oct	405	(10)	0.5	(-)
Howard Holdings	Oct	1,610	(1,040)	0.6	(0.5)
Huntingdon Int Hldgs	Dec‡	2,880	(2,230)	-	(-)
Mid Wynd Int'l Inv	Dec	139	(82)	1.55	(1.30)
Planning Research	Sept	184	(88)	-	(-)
Ports & Sunderland	Dec●	4,640	(3,500)	-	(-)
Ransom-William & Son	Sept	307	(256)	0.5	(0.44)
Unitech	Dec	7,840	(6,374)	3.67	(3.10)
Whitney Mackay-Lewis	Oct	386	(678)	1.6	(1.6)
Wholesale Fittings	Oct	2,960	(2,658)	3.23	(2.69)
Zurich Group	Oct	3,550	(2,800)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L — loss.‡ first quarter figs.● third quarter figs.

RIGHTS ISSUES

Glamar Group is to raise £2.65m via a one-for-one rights issue at 55p.
Greenwich Resources is to raise £3.8m via a one-for-three rights issue at 45p.

Referee will make his whistle heard

A REFEREE has been appointed by the Investment Management Regulatory Organisation (IMRO) to handle complaints from investors. Richard Youard, 56, a partner with City solicitor Slaughter & May, takes up his new job on May 1.

The official announcement said the referee would consider complaints against IMRO member companies by investors who believed they had lost money. But John Morgan, chief executive of IMRO, was quick to make clear this did not include losses incurred simply as a result of fund managers failing to read the stock market correctly.

Instead, it covers such things as negligence, administrative mistakes and misappropriation of funds.

Youard will deal exclusively with complaints against members of IMRO, the self-regulatory organisation that supervises investment companies. Only 54 unit trust groups, from the total of around 150, have so far joined the voluntary unit trust ombudsman scheme headed by Christopher Price.

Now, with the appointment of a referee, unit trust investors at least have a complete, if very complex, complaints system in place.

The IMRO referee is an arbitrator, not an ombudsman. One essential difference is that the decision of an ombudsman is not binding on the complainant.


Richard Youard: experienced

With a referee, once both sides have agreed to go to arbitration any decision is binding on both parties and the complainant loses his right to go to court.

Youard feels that his 30 years' experience in the City will stand him in good stead for dealing with the complaints and problems from the investing public. He intends to have a very hands-on approach, although he says the job will take up no more than two days a week of his time initially as complaints are running at only 50 a week.

However, if the experience of the insurance ombudsman is any guide, in a couple of years Youard will be working seven days a week and seeking a couple of deputies.

John Edwards

Korea fund gets boost

BARINGS has decided to offer a new tranche of shares in its Korea fund following the announcement by the Korean Ministry of Finance that there will be further liberalisation of foreign participation in its domestic stock market.

Jonathan Taylor, of Baring International Investment Management, said restrictions on equity-linked issues would be relaxed and permission would be given for non-resident investors to convert bonds into equities and trade the shares over the counter.

The Baring Korea fund, launched last October, invests in a mix of instruments. These include convertible bonds, unit and investment trusts. It attracted $6.5m at the original offer price of $10.50, which moved up to $12.78 by the end of January. Minimum investment is 100 units.

The fund now is limited to issuing 3.5m shares but, once this target has been reached, subscriptions will be on a matched basis only. However, there is provision for another tranche of shares to be issued, or for the fund to be opened fully once the Korean market is available entirely to foreign investors.

■ Confederation Life has launched a second guaranteed investment bond for a one-year period with a minimum investment of £1,000. It provides a 10 per cent net return (equivalent to 13.8 per cent gross for a basic rate taxpayer). The offer is available initially until February 22.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	4.50	4.60	3.68	monthly	1	-	0-7
High interest cheque	7.80	7.90	6.32	monthly	1	1,000-4,999	0
High interest cheque	8.00	8.30	6.64	monthly	1	5,000-9,999	0
High interest cheque	8.40	8.70	8.96	monthly	1	10,000-49,999	0
High interest cheque	8.80	9.20	7.36	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.00	6.09	4.87	half-yearly	1	1-250,000	0
High interest access	8.00	8.00	6.40	yearly	1	500	0
High interest access	8.25	8.25	6.60	yearly	1	2,000	0
High interest access	8.75	8.75	7.00	yearly	1	5,000	0
High interest access	9.00	9.00	7.20	yearly	1	10,000	0
90-day	9.05	9.25	7.40	half yearly	1	500-9,999	90
90-day	9.50	9.73	7.78	half yearly	1	10,000-24,999	90
90-day	10.00	10.25	8.20	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	10.00	7.50	6.00	yearly	2	5-100,000	30
Income bonds	11.50	9.09	7.28	monthly	2	2,000-100,000	90
Deposit bond	10.75	8.05	6.45	yearly	2	100-100,000	90
34th issue◊	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	9.40	9.80	7.84	monthly	1	2,500	0
Provincial Bank	9.60	10.00	0.00	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
5pc Treasury 1986-89	10.10	8.81	8.03	half yearly	4	-	0
8pc Treasury 1992	10.33	8.25	7.00	half yearly	4	-	0
10.25pc Exchequer 1995	9.96	7.42	5.09	half yearly	4	-	0
3pc Treasury 1990	9.44	8.64	8.17	half yearly	4	-	0
3pc Treasury 1992	8.25	7.43	6.93	half yearly	4	-	0
Index-linked 2pc1992§§	8.52	8.00	7.69	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day: Immediate access for balances over £5,000.◊ Special facility for extra £5,000 §Source: Phillips and Drew. §§Assumes 5.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

Heather Farmbrough reports on the ins and outs of choosing someone to supervise your financial affairs

Accountants — the debits and credits

ONE Saturday morning, bailiffs arrived at the home of a colleague. They alleged that he had failed to pay his taxes and threatened to remove any valuables and furniture, much to the dismay of his wife and children. In vain did he plead that it was his accountant's fault for not providing up to date returns; the men from the Revenue insisted on a cheque on the spot — or else.

As someone with several sources of different income, and a working wife, my colleague urgently needs to find another accountant. But how?

The first rule, according to Abelard Osman, a single practitioner in London's Regent Street, is not to look in the Yellow Pages. "There are many crooked people about," he says. "You should consult friends and you must ask for an idea straight away as to how much it will cost."

David Tinker, who runs the practitioners' bureau of the Institute of Chartered Accountants of England and Wales (ICA), the nearest thing to a help line, will put you in touch with your local branch or society which will have a list of practitioners. He recommends contacting more than one accountant and then comparing notes.

He says that you should stick to a certified or chartered accountant, so that one has some recourse in case you need to complain about poor service, overcharging or negligence. Local societies tend to deal with most complaints, although the ICA has a joint disciplinary committee to deal with matters of public concern.

The key question is how much will an accountant charge, but if you ask an accountant, the chances are he will ask you how long is a piece of string. However, most will offer a free initial consultation at which they will decide how much work will be necessary and then give an indication of charges.

Accountants normally charge a flat fee based on the number of hours worked, but the scale will vary considerably depending on the seniority of the accountant involved with your affairs and the location of his office. Smaller partnerships tend to charge less — which is perhaps why many of them end up overloaded with too many clients and the service suffers.

If the accountant receives a commission on the sale of unit trusts or other products, he has to declare it to his client. Some rebate commission entirely to the client, usually by offsetting it against fees, while others split it or use it as an additional discount to reduce the cost of the product.

The Institute offers a scale of fees, which is perhaps a little biased in the accountant's favour. Only people with unusually complicated financial affairs will probably need to see a partner.

Trevor Capes, a London-based sole practitioner, says that he would charge between £20 to £25 and £40 an hour for doing straightforward tax returns and giving advice. Moores Marr Bradley, the personal financial planning arm of Moores Rowland, say that fees will range between £20 and £100 an hour depending on the seniority of the employee involved.

However good your accountant, you will still have to do some of the leg work yourself, particularly when you first consult him. One advantage of using an accountant to do your tax returns is that he will have to deal with any queries and he is more likely to spot a mistake by the Inland Revenue. Another is that the Revenue is less likely to raise objections to returns filed by an accountant.

Nevertheless it is not always worth paying an accountant's fees just to sort out your tax returns. Some tax inspectors will take on personal tax work. If you pester your local PAYE enquiry office for long enough, they will also help you fill in your return free of charge.

However, let's assume you have decided that you need an accountant. You might have a mortgage on one property and are considering buying another; children to whom you hope to leave some money; your spouse might be self-employed, or you could have investments worth around £20,000.

At this point it is worth considering the kind of service you want. If it is a simple advisory service about the tax implications of your various investments, pensions, school fee plans and so on, a small practitioner might be ideal.

Over the past few years, most accountancy firms have been building up their financial planning services to supplement traditional auditing business. Following the Financial Services Act, they see great potential in establishing themselves as independent financial advisers.

Firms that depend less on auditing company accounts for the bulk of their business are in a stronger position to serve private clients, since there are fewer potential conflicts of interest. Binder Hamlyn has introduced a discretionary investment management service in which it controls the investment of clients' funds. One problem, however, is that the firm's investment manager is precluded from putting money into a company that has its accounts audited by Binder Hamlyn.

It is worth asking if the administrative convenience of attempting to provide a one-stop service is really in the client's interests. For instance, will you receive as good an investment management service from a firm of accountants as from a firm of stockbrokers or investment managers? The best investment managers normally prefer to work for the leading fund management groups, rather than a firm of accountants.

The accountants' strongest marketing point is that they are independent intermediaries — a shrinking breed — and thus should offer be able to offer unbiased and "best" advice. But there is a danger that, in seeking to offer a wider service, some accountants are spreading their net too wide.

Choosing an accountant is a little like selecting a restaurant: you pay for the dishes that you want and can afford. The big groups may have more resources and in-house expertise, although small firms — if they are not overstretched — tend to be more likely to provide a better personal service. But beware of accountants who are prepared to cut corners. The Revenue is believed to have a black list of "dodgy" accountants whose clients' accounts are scrutinised with special attention.

M&G squeezes unit trust rivals

SOMETIMES, you wonder if unit trust groups live in the real world. Their reaction to a steep decline in sales after the stock market crash in October 1987 was to push up both the initial (or front-load) charge, imposed when buying units, and the annual management fee.

The justification for this extraordinary reaction to falling demand was that the new regulations under the Financial Services Act (FSA) stopped the groups from making "hidden" profits, so they had to be taken instead from investors. Many groups have raised their initial charge from 5 to 6 per cent, and the annual management from 1 to 1.5 per cent of the fund's value.

Those that have raised their charges may be feeling rather vulnerable now that the unit trust market leader, M&G, has declared that it is not going to do likewise.

That is not strictly true because M&G, like most other groups, is planning to transfer the trustee and registrars' fees to the fund, instead of paying them itself. But the group — which is holding a series of unitholders' meetings to approve changes in the trust deeds needed to comply with the FSA — has pledged not to seek any increase in the maximum initial charge, which will remain at 5 per cent, nor to raise the maximum permitted annual management fee from its present 1 per cent. In fact, the annual charge for some of the income fees is only 0.75 per cent, but the group received approval last year to raise this to 1 per cent if it wished.

Tim Miller, who moved from Framlington last year to become group marketing director at M&G, said the policy decision not to increase charges was based on several factors. One was that a rise was not needed since M&G had not relied on hidden profits from rounding up and "box" management. Unnecessary increases in charges would only degrade the performance of the funds.

In addition, M&G was conscious that, under the new "best advice" principle, tha level of charges would have to be taken into consideration, as well as the performance track record, when intermediaries made recommendations to clients. Miller said the group expected that its strong performance record, in conjunction with the positive decision to keep charges down, would help to boost its market share.

M&G is already the biggest single unit trust group, with funds under management totalling more than £3.9 bn and some 470,000 unitholders. But this is only about 9 per cent of the total business and there are around 150 other unit trust groups, so there obviously room for expansion if M&G uses its economy of scale to pressurise its rivals.

Many groups have been having a rough time since the crash, with sales at a low ebb and costs rising because of the FSA. Those groups that relied on the "hidden" profits to boost their revenue have been hit hardest and it is expected that the proposed takeover of the GT group is only the first of many in the pipeline.

In fact, the pricing of unit trusts has changed radically since the new rules and regulations became effective from July 1 last year.

Terence Morgan, managing director of Wessex Asset Management, noted in a letter to the FT this week that many groups were quoting bid (selling) prices that were identical with the cancellation price — the lowest possible bid price. This is a strange situation in a booming stock market, since the cancellation price is supposed to be used only when there are many more unit sellers than buyers.

But under the new formula laid down by the Securities and Investment Board, there is much less room for manoeuvre than before. The maximum permitted gap, or spread, between the bid and offer (buying) price has been cut back from the previous figure of around 13 per cent.

The disappearance of rounding, instrument duty, reduced dealing costs and lower stamp duty have combined to shrink the gap between the minimum price at which units can be created and the cancellation price, in spite of some groups lifting their initial charges. There is, therefore, often not much room left above the rock-bottom cancellation price.

As a result, some groups — Fidelity, for example — have quite narrow spreads based on the cancellation price, even though they are not on a bid basis. Using a full spread in this way means the prices reflect only movements in the market, not a decision by the group to switch from a bid to an offer basis that exaggerated losses previously.

Spreads do vary widely, however, depending on the policy of the group and the underlying securities in which it deals. Funds may have a wider spread because the underlying holdings, such as small company stocks, have a broader gap between their buying and selling market prices.

The initial charge is only one factor in the equation. Even trusts with no front load — like the Prestige Portfolio from Royal Trust, and the Lazard funds — do have varying spreads according to the markets in which they operate. Nevertheless, M&G's decision to keep its initial and annual management charges unchanged is going to put pressure on its rivals with higher charges and higher costs.

John Edwards

M&G's Tim Miller

Discount offered

A DISCOUNT of 1 per cent is being offered by Save & Prosper on investments of more than £1,000 in its UK Smaller Companies Growth and Income funds. Bnt the offer will remain open only until the end of February.

These are two of S&P's better-performing unit trusts. According to Micropal figures, the Growth fund was the top performer in the year to January 2 out of 187 UK growth funds, and the Income fund was 11th out of 118 in its class.

J. E.

John Edwards on a cheaper type of mortgage

Now it's ECU loans

THE ECU (European Currency Unit) mortgage has arrived. This week, two companies announced they were planning to offer home loans denominated in the European Community's "basket" currency.

The attraction, as with foreign currency loans, is that you can borrow in ECUs at a lower interest rate — now around 3 to 4 per cent below sterling mortgages. But the risk from exchange rate fluctuations is reduced because the ECU is a controlled, artificial currency that includes sterling in its composition.

Member countries of the European Monetary System are obliged to restrict their own currency fluctuations within the ECU so, if the value of sterling does fall, it would be reflected in the ECU's value.

John Charcol, a specialist mortgage advisers which has been leading the way in foreign currency mortgages, says the ECU loan is one step forward in reducing risk. However, Charcol warns that it is strictly for those who are sophisticated financially.

The San Paolo Bank of Turin also said it would offer ECU home loans through its London branch. It has been approved by the Bank of England for the ECU-denominated Treasury bill programme.

Meanwhile, for those who prefer to stick by sterling-based mortgages, Alliance and Leicester Building Society has reduced the rate on its two-year fixed-rate mortgage from 12.95 to 12.5 per cent while Abbey National has launched three new low-start mortgages.

Abbey's Flexible term mortgage lowers the interest rate by extending the period of repayment. With the low-start endowment mortgage, the payments are cut by 20 per cent during the first year and then rise in 20 per cent steps over the next five years.

The two-year payment mortgage option allows yon to pay reduced amounts in the first two years as result of being liable for interest on the loan only and not having to take out a covering endowment policy during this period. At the end of two years, you can then choose the type of mortgage you want.

National Home Loans is offering a mortgage where payments are reduced by 3 per cent of the normal amount for the first three years. The unpaid interest is deferred and added to the balance of the loan et the end of the period.

Filling a gap . . .

LINKING the repayment of a mortgage with a unit trust savings scheme is nothing new. However, Mercury Fund Managers thinks it has come up with an original plan which is more flexible and cost-effective than the usual unit-linked endowment mortgage.

Under the plan, you take out a normal interest-only mortgage loan with the Bank of Scotland. You also start a Mercury savings plan, investing in your choice of the group's 16 unit trusts. The size of the monthly payments are based on what you need to put in to pay back the mortgage loan at the end of the agreed period, assuming a 7 per cent annual growth in the value of your unit trusts.

After three years, if your unit trust investment is doing well you can withdraw the difference between the value of the unit trusts and the 7 per cent projection rate. Any excess money withdrawn can be used to repay part of the mortgage loan, or for any other purpose. If the unit trust funds are not keeping np with the 7 per cent projected increase, you face the prospect of having to put up more money, so there is more risk involved than with a guaranteed with-profits endowment policy.

Unlike unit-linked insurance funds, unit trust managers do not have to make allowance for capital gains tax and should, therefore, perform better. But this means that the investor is faced with the problem of CGT liability. Mercury suggests you can overcome this problem by reducing your liability on any profits realised by regular "bed and breakfast" transactions — selling one day and buying back the next — and thus using up your allowance.

There is no initial arrangement fee. All you pay is the standard Mercury unit trust charges — 5 per cent initial plus 1.5 per cent annually. A 1 per cent bonus allocation of units will be given throughout the life of the plan. Mercury claims that this is a great deal cheaper than normal endowment policies, in which intermediaries receive much larger commissions up-front in the initial stages. However, endowment policies do include insurance cover, and the Bank of Scotland insists on separate life assurance being taken out as a condition of the mortgage loan part of the package.

J. E

Bridge

RUBBER bridge provides both my hands today. We start with a very simple heart contract — here is Blind Man's Buff:

N
♠ A 7
♥ K 6 4
♦ A J 7 5 3
♣ A J 6

W
♠ K Q 10 8 3
♥ Q 10 3
♦ 10 8
♣ K Q 9

E
♠ J 9 4 2
♥ 5
♦ Q 9 2
♣ 10 8 5 4 3

S
♠ 6 5
♥ A J 9 8 7 2
♦ K 6 4
♣ 7 2

With both sides vulnerable, North dealt and bid one diamond. South replied with one heart, West came in with one spade, North raised to two hearts, and South's jump to four hearts brought the auction to a close.

West opened with the spade king, taken by dummy's ace. The declarer cashed the heart king and continued with the four. When East showed out, South won with his ace and considered the position. There was one loser in each suit unless tha diamond finesse worked, so he cashed his king and finessed dummy's knave.

East won with the queen and returned the two of spades. West made one trick in that suit, then switched to the club king. Winning with dummy's ace, the declarer played the ace of diamonds, but West ruffed this at once and cashed the club queen to put the contract down.

A dreadful exhibition by South. After winning the third trick with his ace of hearts, he should cash the diamond king, cross to the ace and concede e trick to the queen. East leads a spade as before but, when West leads his king of clubs, the declarer wins with dummy's ace and plays the knave of diamonds, on which he discards his remaining club.

West will ruff, but that is the last trick for the defence. By the simple evoidance of the diamond finesse, declarer saves a vital tempo, which enables him to discard one club and render West's ruff harmless.

In this slam, we study Spare a Dime:

N
♠ A K 8 6 2
♥ 9 4 3
♦ 6 5
♣ 7 6 2

W
♠ 10 3
♥ 7 6
♦ Q J 9 7 4 3
♣ K 9 5

E
♠ Q J 7 5
♥ 8 2
♦ 10 8 2
♣ J 10 4 3

S
♠ 9 4
♥ A K Q J 10 5
♦ A K
♣ A Q 8

Sonth dealt at game to North-South and opened with two clubs. When North gave a positive response of two spades, South jumped to four hearts, announcing a solid suit and setting the trumps.

North said four spades. South trotted out the Blackwood four no-trumps and, after the response of five diamonds, said five no-trumps. Learning from the response of six diamonds that North had only one king, South bid six hearts and all passed.

Winning West's diamond queen with his ace, declarer drew two rounds of trumps with ace and king and was fortunate to find them breaking 2-2. He cashed the two spade honours in dummy and ruffed a low spade, West showing out.

Crossing to the nine of hearts, South returned a clnb and finessed his queen. West won; South had to lose another club and went one down.

Having the good fortune to possess an entry to dummy in the nine of hearts, the declarer should have taken advantage of it. Instead of being mean, he should have allowed the opponents to make one spade trick.

At trick four, he should lead the nine of spades and play low from dummy, even if West covers with the 10. East wins and switches to a club but South takes with his ace, crosses to the spade king, ruffs a spade in hand, enters dummy via the nine of hearts, and cashes eight and ace of spades to land the slam.

E. P. C. Cotter

FINANCE & THE FAMILY

Brighter future beckons for unitholders, reports **Heather Farmbrough**

Ailing Allied acts to turn the tide

THE PAST few years have not been too good for a number of Allied Dunbar's funds. On a three- and five-year view, the performance of many funds is disappointing. But there are signs that the tide may be *turning* in favour of Allied and its unitholders.

Across the group, the early part of last year was rather embarrassing, as investment director Hugh Jenkins is willing to admit. Having been cautious of the market from January to July last year, the group, as Jenkins says, "looked dummies." After that, however, high liquidity (one third in cash and bonds) has paid off.

In nervous stock markets like today's, income funds are a good place to put money. But Allied's past reputation as a strong house for income funds has gone a little awry recently.

A fairly high proportion of Allied's money goes into its three income funds: High Yield (£148m), Equity Income (£268m) and High Income (£287m). Their recent performance record is, admits Jenkins, "middle of the road." High Yield was 79th out of 118 income funds in the UK over 1988, while Equity Income was 92nd and High Income 90th.

Allied's distribution record is good – and this is what people are supposed to care about when they buy income funds. But the high distribution record has proved increasingly difficult to sustain and the target returns were set at such a high level that it was almost impossible to provide good capital performance. High Yield promised to return 50 per cent above the FTA-All Share index, Equity Income 37.5 per cent and High Income 25 per cent.

As Jenkins says: "It's producing a hurdle for yourself while the media, quite rightly, have tended to focus on performance. But we want to make sure that we provide capital growth which is at least as good as the FTA-All Share index whereas, at least previously, we might have emphasised income more." The income hurdles have now been removed and unitholders this year should be able to expect income growth of about 8 per cent upwards.

Among Allied's UK general and growth trusts, the outstanding performance has come from the Asset Value trust (known before its relaunch three years ago as the First trust). The idea – simple and well-timed – is to find companies with market capitalisation at a sizeable discount to asset value.

The fund's performance has been helped by a buoyant takeover climate for most of its history since the re-launch. Asset Value, which is managed by Nicholas Roach, was third out of 187 in the UK General growth sector for the year to January 1, 1989, according to figures from Micropal.

After Asset Value, the best performer over a one-year period is the UK Special Situations trust, which was 48th out of a sector of 187 on a one-year view. Overseas Earnings, which was 64th, tends to perform well when the pound is *weak as it invests in companies* that earn more than 50 per cent of revenues from foreign operations.

However, the performance of other UK funds is less good. Balanced and Growth and Income rank 60th and 64th out of 81 similar trusts over one year. It is also difficult for investors to distinguish between the two as both are designed to provide long-term capital growth and a growing income. This is not an exciting formula, but that still does not explain why performance is so disappointing over the "long" term of three and five years (see table).

Allied has decided, however, that the costs and problems involved in merging Growth and Income with Balanced are so immense that it would be impracticable to do so. The same applies to the UK growth trusts, Capital and Accumulator. One would expect performance to be similar, but Capital did better over 1988. Before that, Accumulator was the better performer, but both have been in the lower third of their sectors for some time.

The Recovery trust has fared better. On a three-year view, it was 69th out of 132. On a half-year view from July 1988, it was 25th out of 207, correcting a poor first half which ranked it 151st out of 187 growth funds over 1988.

In 1988, Smaller Companies had rather a disappointing year. An investment of £100 at the start of the year would have shrunk a little to £95, while £100 invested in the Second Smaller would have become even less (£83). This was the 14th-worst performer in the UK growth sector over the year. The manager of this fund changed last year and it was hit particularly badly by one stock which had a bad year. Over three years, Smaller Companies ranks 61st and Second Smaller 115th out of 132 growth funds.

These funds have been handicapped badly by their big size as they took a large amount of life assurance money. This makes it much harder to outperform, as it is difficult to build up and deal in reasonable sizes in smaller companies. Allied has made some steps to tackle these funds by reducing the number of stocks held and increasing the smaller companies' team from two to five, enabling managers and analysts to follow those companies more closely.

Readers may notice from the table that the Government Securities fund performed much better than the Convertible and Gilt fund over 1988. This, explains manager John Sharman, is because 80 per cent of the latter is invested in equity convertibles so the Government Securities trust tends to perform much better when equities are depressed.

In North America, Allied has had a good record over the past three and five years. The American Special Situations trust was ranked 28th out of 116 funds last year. Allied's Pacific fund was in the middle of the range over 1988, while the Japanese trust was 27th out of 59 in 1988 and 17th out of 50 over five years.

The European front has been less happy for Allied Dunbar. After a long period of deliberation, it was decided to launch a European unit trust in October 1986. It was, admits Jenkins, "an unfortunate act of timing. There was very strong demand for us to bring one in at the time to fill a gap in our product range."

However, Allied's fund was launched at the top of the market, some time after many of its competitors, and has done comparatively badly for a new fund (most new funds tend to do very well because they are unburdened by past years' mistakes). It came 85th out of 99 over 1988, although figures for the second half of the year suggest performance was picking up well.

So much for past performance. But why should the group's record overall improve? Well, there have been changes over the past couple of years and the catalyst for some of these is Jenkins, who became investment director in 1986. He was headhunted by Allied Dunbar from the Heron Financial Corporation in the US, where he was chief executive officer for just under two years. Before that, he was chief executive of the Coal Board Pension Fund.

Jenkins is the first main board director with responsibility for investment – a reflection on the poor cousin status of the investment division in relation to the rest of the company's life assurance business.

One of Jenkins' earliest observations was that a number of fund managers had far too much to do, both in terms of the amount of money they were managing and other responsibilities, such as giving talks to the sales force and unitholders. His answer was to make each manager's job more specialised and to step up recruitment, with eight people joining as analysts and managers over the past two years.

Howard Goldring was recruited from Midland Montague to be joint director of UK equities with Nicholas Roach, while Raymond Stokes came from Murray Johnstone to become director of European and international investments. Nevertheless, the contribution of Allied's original managers should not be overlooked: after all, Roach, the manager of the best fund, Asset Value, is one of Allied's longest serving executives.

After an initial study, Jenkins also concluded that many of the funds held too many stocks and that managers should concentrate on getting to know a smaller number of companies. Managers have also been relieved from giving talks to unitholders and sales associates.

The problems are by no means over for Allied Dunbar. However, unitholders should be reassured that positive and firm action is being taken which could push Allied nearer to the top quartile.

ALLIED DUNBAR'S PERFORMANCE

	Ranking in each sector Year 1		3 Years		5 Years		£100 invested in Jan.'84
UK General							
Asset value	3	8	4	75	2	66	£302.6
Balanced	60	81	65	75	53	66	£195.9
Growth & Income	64	81	66	75	56	66	£194.1
UK Growth							
Accumulator	142	187	119	132	80	96	£179.3
Capital	119	187	122	132	93	96	£167.5
Overseas Earnings	67	187	101	132	73	96	£189.9
Recovery	151	187	69	132	31	96	£237.3
Second Smaller Companies	186	187	115	132	92	96	£160.1
Smaller Companies	163	187	61	132	89	96	£196.8
UK special situations	48	187	100	132	59	96	£210.7
UK Equity Income							
Equity Income	92	119	68	89	45	62	£243.8
High Income	90	118	83	89	34	62	£233.0
High yield	79	118	73	89	60	62	£211.0
Gilt & Fixed Income							
Convertible & Gilts	49	50	35	42	31	34	£130.6
Government secs.	17	50	23	42	26	34	£132.7
Commodity & Energy							
Metals, Minerals,Resources	8	29	7	25	5	19	£111.2
International Growth							
International	77	151	29	92	26	69	£166.1
Technology	110	151	81	92	60	69	£103.1
North America							
American Special Sit'tions	28	116	30	87	12	55	£125.8
Securities of America	107	116	39	87	10	55	£126.8
Europe							
European Growth	94	99					—
Far East							
Pacific	48	78	19	51	12	28	£189.9
Japan	27	59	17	50	14	25	£257.7
International Income							
American Income	19	61	23	30			—

Source: Opal Statistics

Allied Dunbar

Funds under Management	£2.4bn
Number of Unit Trusts	25
Number of Fund Managers	17
Number of Analysts	5
Average Age of Managers	33 years

Disaster for a guarantor

In 1984 I misguidedly agreed to be a guarantor, with my house as collateral, for £10,000 against somebody else's bank/business overdraft.

I am now being pressured by the bank involved to sell my house in order to pay off this debt. As both my wife and myself signed the relevant deed, there seems little that I can do to avoid this. I am not in a position to repay by instalments.

However, my daughter, 20, and son, 17, have lived the majority of their lives here (over 17 years). Do they have any right to block a forced sale?

■ Your children have no right to block a sale unless they have a substantial share in the ownership of the property; and, even then, a sale is more likely to be ordered than not.

Grounds for separation

On my retirement, I moved to two adjoining cottages which are completely modernised and in the joint names of my wife and myself.

My wife refuses to join me and leave a bungalow which is in my name, the scale of which would give us a comfortable retirement.

Our total income is £4,800 per annum and, as this is insufficient to meet all the outgoings, I have been obliged to delve into capital for the past 18 months. Obviously, this cannot continue indefinitely.

(A) Have I, in your opinion, grounds for a legal separation? (B) If so, what proportion of the income would the court award to my wife? (C) Am I right in believing that after two years of living apart, it is possible to obtain a divorce? (D) If so, how would the assets and income be apportioned?

■ You would be wise to consult a solicitor. However, the position on the points you raise are:

(A) You need no grounds: you have only to live apart.

(B) This depends on a full review of all your and her financial resources.

(C) Yes.

(D) Apportionment would normally be set to ensure that your wife has at least one-third of the joint income but, in the circumstances you describe, a half might be nearer the mark. It is likely that the capital would be divided equally between you.

Offer to vacate

Would you please advise on the following query regarding liability for capital gains tax.

A relative who is registered as a secure tenant with a private landlord has been offered the sum of £15,000 to vacate the premises.

Her only income at present is the basic widow's pension (state) and a monthly income from an investment of £2,000 in income bonds (national savings). Her age is 83.

1. Would she be liable for capital gains tax on the £15,000?

2. If this sum were passed over to a relative towards the cost of providing her with shared accommodation (part ownership of a property), would the recipient of the £15,000 also be liable for CGT?

■ 1. No (by virtue of section 102 (1) of the Capital Gains Tax Act 1979).

2. No (by virtue of the same section), if you mean that the relative who pays the £15,000 will be buying a share in the house in which the other relative is already living and has always lived since buying it.

Overdue rental

I own a terraced property which is let on rent via a shorthold lease at £108 per calendar month (inc), with a lease for one year from June 1986, renewed for one year in June '87.

Last year the tenants began to get behind with their rent, and I served them with a notice to quit last April. The tenants have stopped paying rent altogether since June and arrears are approaching £1,000. My solicitor has written to them asking for arrears and to give up the property, which they have not done.

In the standard shorthold lease there is a "proviso for re-entry" under landlords' obligations which states that, in case of non-payment of rent, the landlord may take possession of the premises.

However, my solicitor has informed me that I cannot take possession without court action. I advised him to take the matter to court early last September although he has not yet done so.

Am I within my rights in taking possession under these circumstances? The delay is costing me a great deal in lost rent, rates etc. In any event, the lease expired in June '88.

■ You are entitled to take possession unless the tenant pays all the arrears and your costs; but this must be done through the courts, ie your local County Court.

Gifts to a grandchild

Our first grandchild was born on April 20, 1988, just after the Chancellor withdrew the benefits of covenants for income tax purposes.

My wife and I would like to give, from time to time, capital sums (not more than £2,000 at any time) so that the funds will be able to provide for "special" expenses as she grows up and could eventually be of help in education.

Also, from time to time, other relatives are giving/will give sums of money to the child. It is proposed to put these sums into an account paying interest gross. It will be the child's money but we want the parents to be able to use it, at their discretion, on behalf of the child. The parents will not be putting any of their money into the account.

How does one do this so that the interest is treated (rightly) as the child's income, and how does one satisfy HM Inspector of Taxes should queries arise?

We do not want to create trusts, nor enter into school trusts. Is it simply sufficient for the parents to show the source of the monies, if so requested and will they have to "prove" how they have used any of the monies for the benefit of the child?

■ What you propose is satisfactory from the point of view of reducing liability to inheritance tax by using your annual exemption for capital gifts of up to £3,000, provided letters which accompany the gifts are preserved for production to the Inland Revenue if required.

However, the parents may not have free access to their children's accounts under the general law. To enable that to happen, it would be necessary to create a trust under which the parents (or some other reliable adults) hold the funds on trust for the minor child or children when (s)he or they come of age. Then, the provisions of sections 31 and 32 of the Trustee Act 1925 enable funds to be applied for the benefit of the beneficiaries even before they attain a vested interest.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

FINANCIAL TIMES SURVEY

Building societies are offering an ever-wider range of products as they compete with the banks. Last year, savings poured in and mortgage lending was a record. But the 1988 profit figures are unlikely to be matched this year, writes David Barchard

Competing on all fronts

BRITAIN'S building society industry enjoyed its best ever year in 1988. In the wake of the October 1987 stock market crash, savings poured into the societies at an unprecedented rate. By the year end, net receipts were 80 per cent above the 1987 level at £13.6bn.

On the other side of their traditional business, mortgage lending, things were flourishing too. Lending rose by 40 per cent to a record £49.4bn. More important still, the societies regained their dominant share of the market. At the end of 1987, they had a market share of only 46 per cent. A year later, the figure was 60 per cent and rising.

There were other profound changes during the year. Building society diversification continued apace with societies offering a wider range of banking and housing products.

For the first time, building societies became significant players in such varied markets as cheque-book current accounts, credit cards, estate agencies, personal loans, insurance and pensions. The number of societies offering these services is steadily growing.

The mortgage market has been transformed, too. Instead of offering a single type of mortgage at a single rate, building societies now offer a wide variety of different kinds of mortgage, tailored to the needs of particular sections of the market.

Early in 1988, the Review of Schedule 8 of the 1986 Building Societies Act greatly enlarged the scope for further diversification and removed most of the remaining wrinkles in the Act.

This picture of competitive dynamism is only part of the story. Few societies have forgotten that the favourable conditions of 1988 came hard on the heels of the darkest year in their history when they were hard-pressed by their competitors on both their savings and their mortgage business.

They are aware that both market conditions and the nature of the market in which they operate are changing very rapidly and that all societies must consciously select their options for the future in order to be sure of long-term survival.

The protected environment and cartel-like arrangements within which building societies existed before the mid-1980s have gone for ever and building societies must compete not only with each other but with banks and financial companies.

There are 115 building societies, ranging from Halifax (asset size £36bn) and Abbey National (asset size £29bn) down to the Londonderry Provident (asset size £3.4m). The three largest societies would rank among the world's top 100 banks.

The same three societies account for about half the total assets of the entire industry, while the 65 smallest societies have only 2.5 per cent.

Until the advent of competition, these differences did not matter very much. Now the way forward for the largest societies is clear. They must convert themselves into all-round retail banks, using their existing position in the market as a base.

The largest half-dozen societies have thus become steadily more bank-like. By the end of this year, the four biggest will all offer their customers cheque accounts. Most will also offer credit cards.

To compete in the open financial markets of the 1990s, they are also having to advance into new lines of business. Halifax, Abbey National and Nationwide Anglia are all spending large amounts of capital in building up networks of estate agency business.

This is a conscious response to earlier moves by large insurance companies. Estate agencies are seen as a prime channel through which to sell not only mortgages hut also insurance and other financial services.

By the early 1990s, the three largest societies should possess estate agency chains of between 800 and 1,000 branches each. However, diversification on this scale exposes another weakness of the industry: lack of capital.

In the mid-1980s, before the present Act came into force, building societies were constrained by legal limits on diversification into new business, restrictions on raising funds on the wholesale markets and by lack of capital.

The Act has removed most of the limitations on their powers, so long as they do not stray from personal financial services into the corporate sector. It now also allows them to raise up to 40 per cent of their funding in the wholesale money markets – though, with savings pouring in, this facility is less urgently needed by many societies than they may have expected.

The Act has also given them some powers to raise additional capital through subordinated debt, a long-term form of borrowing. A large amount, £1.25bn, has been raised in a single year, about a quarter of it going to Halifax alone.

The ceiling on subordinated debt may be too low for some societies to finance a programme of hroad diversification. They then may have to choose several options.

They can offer some retail banking services (such as credit cards) but not others (such as cheque-books). They can find cut-price ways of offering new services – for instance by going into estate agency or insurance business by "coldstarting" entirely new operations rather than trying to acquire existing firms. Or they can sell someone else's product to their customers through an agency agreement.

One society, Abbey National, has decided to cut the Gordian knot and ask its members to allow it to convert itself into a limited company. Members will vote on a stock market flotation in April. If they approve it in a ballot in which 20 per cent of members must participate, Abbey National will probably have a market capitalisation of £2.5bn and become one of the top three banks in the UK.

In spite of its apparent logic in the market conditions of 1989, demutualisation has proved a stormy and often unpopular topic. Several societies, including Halifax, looked at it in 1988 and – for the moment – rejected it. The industry's rate of growth last year may have been high among the factors making this decision possible.

Only one society, National and Provincial, admits to be

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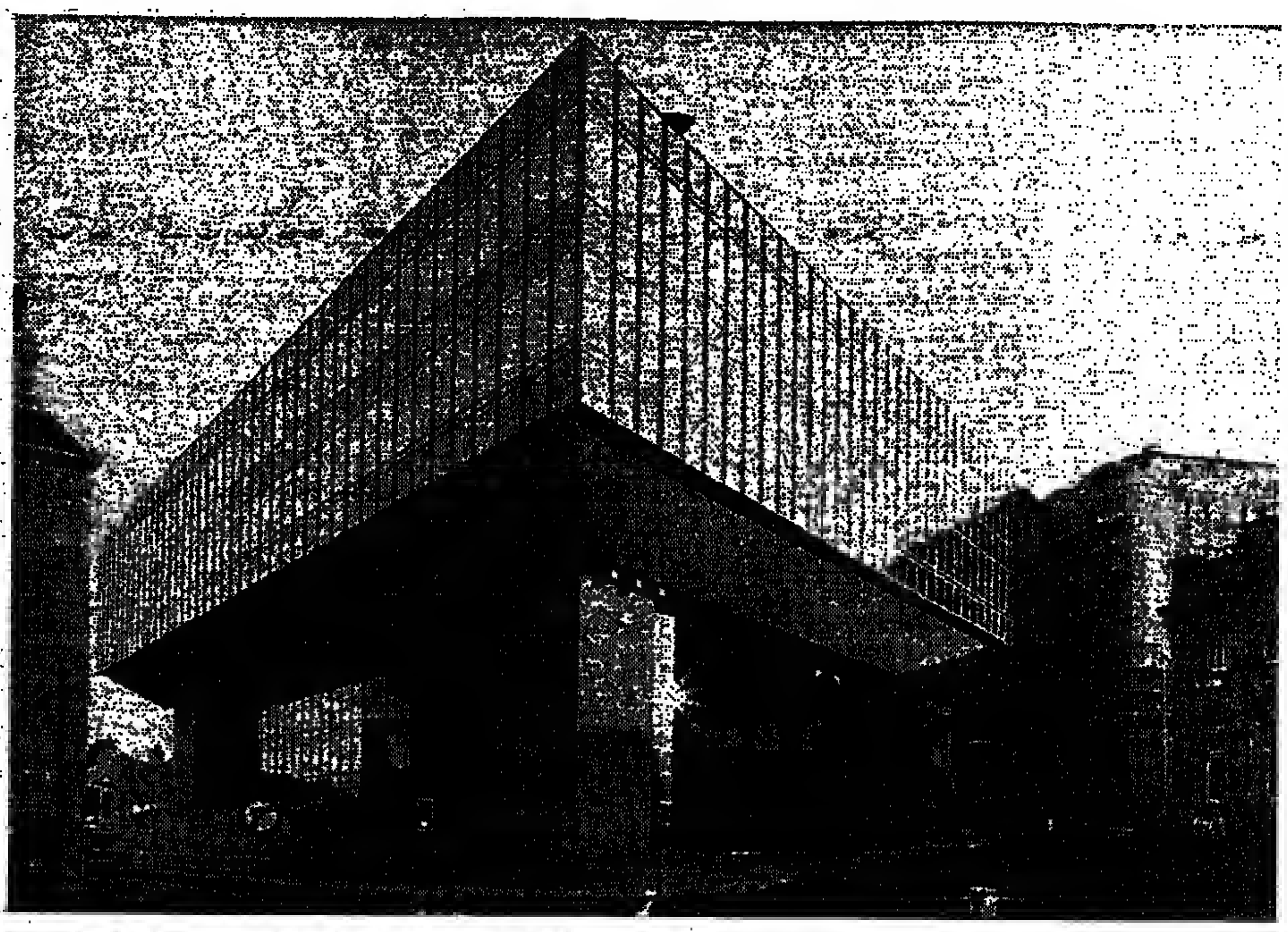

The headquarters of the Halifax Building Society dominate the Yorkshire town

Building Societies

Societies are diversifying to tackle the retail market

As bank-like as possible

JANUARY 1989 opened with a signal victory for the building societies over the banks when the High Street banks made a relnctant entry into the interest-bearing current account market.

They did so to head off a challenge from Nationwide Anglia's FlexAccount and the Abbey National current account which between them had picked up 1.8m customers in under two years. Woolwich and Halifax – a shade belatedly – have also decided to issue cheque-book current accounts this year. So by the end of 1989, the four largest societies will be offering their own cheque-book products, and customers of the next two largest – Alliance & Leicester and Leeds Permanent – will be able to use Bank of Scotland cheque-books.

Since the early 1980s, banks and building societies have been moving further and further into each other's traditional territories – and customers have come to expect a wider range of services from both.

When Regency, the 35th largest society by asset size, last year polled its members about the services they wanted, it found that top of the list was a cheque-book. Regency was able to provide one under an agreement with Barclays Bank.

Offering cheque-hook services is relatively easy for a small society which can provide these and other services through an agreement with an outside specialist. For a large society it is highly expensive.

Halifax held back for many months, deterred by the cost of paper-based money transmission. Alliance & Leicester has so far held out against issuing a cheque-book on grounds of cost. However Nationwide Anglia, the first entrant to the market, believes that it is now approaching break-even point.

"It is slightly difficult to calculate," says Mr Tim Melville Ross, chief executive. "But at around 1.2m we should start to make money on FlexAccount." The millionth FlexAccount customer signed on in mid-January.

Cheque-book services are the most expensive banking services provided by building societies. Many now also offer salary credit and standing orders. Direct debit facilities are rather less common.

On the lending side however, all the top 20 societies now offer secured loans and most unsecured personal lending – though this is very often done through an agent. Powers for unsecured lending were increased in the Schedule 8 Review of February last year and societies' limits are being increased to an absolute ceiling of £10,000.

This is still a figure which strikes many of them as too low. Mr John Bayliss of Abbey National points out that it is "nnt large enough to provide a decent bridging loan."

Building societies are increasingly well-equipped to compete with banks in automated teller machine services. The merger of Link and Matrix, and Halifax's decision to tie up its own network with the rest of the industry means that there will be over 3,000 huilding society cash machines available to their customers hy the end of the year.

Building societies enjoy one singular asset in competing with the banks. They are recognised as being mucb more friendly to the customer and it is widely believed that they provide a better services.

This has to be set against a much smaller and poorer branch network. Abbey National, for example, has 677 hranches compared with around 2,100 for Midland or Lloyds Bank. Most of the branches are mnch smaller, being designed in the days wben building societies were two-product operations. Lines of customers outside Halifax and Abbey National brancbes at peak hours are not uncom-

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High interest rates and dearer houses are among the spurs to innovation

Mortgage market comes back home

BUILDING SOCIETIES started 1988 with a depressingly low share of 46 per cent of the mortgage market. By the end of the year they had about 60 per cent of the market.

"I would expect that during the coming year, the societies will push their market share back up towards 65 per cent," says Mr Mark Boleat, director-general of the Building Societies Association. "Funding conditions currently favour them, with money flowing in strongly from savers. The societies should be able to go on offering lower interest rates to attract new business."

However, Mr Boleat points out that if the Abbey National flotation goes ahead, its share of the mortgage market will no longer be included in the building society totals.

Most societies were able to report substantial upturns in their mortgage business in 1988. For instance, Birmingham Midshires boosted its mortgage lending by 54 per cent to £655m.

The picture of recovery in 1988 has to be offset against the sharp downturn in the market after July. "The year finished on a very low note," says Mr Jim Birrell, chief executive of Halifax. New new commitments in December 1988 were the lowest by the societies for almost two years at £2.2bn, compared with a peak of £5.5bn in the early summer.

One society reported privately that one of its London branches was processing only four mortgages a month in January 1989 compared with 100 during the height of the housing boom. However several societies believe that this sluggishness is partly seasonal. "We are finding that the mortgage market is already showing signs of picking up again," Mr Tim Melville Ross, chief executive of Nationwide Anglia, reports after a visit to the society's branches in London.

However the market has undoubtedly undergone a sea change with important long-term consequences for the societies' new and existing business.

One problem is a possible spate of arrears and defaults on existing mortgages. For several years building societies have been reporting a steady fall in the number of members with mortgage difficulties and arrears and repossession figures have run at very low levels indeed.

That may be about to change. Citizens Advice Bureaux in London reported an upturn in mortgage debt during the last two months of 1988. "I don't like to think what 1989 is going to bring," says one CAB worker.

Many societies make only an annual adjustment in mortgage payments, so when monthly payments are adjusted in the first half of 1989, customers will find themselves not just paying at a rate around 4 per cent higher than a year ago, but also having to pay off a backlog of interest from the second half of 1989.

In the more competitive mortgage markets of the late 1980s, building societies have less scope for easing the burden on home-buyers than they did in the early 1980s when rates were last at comparable levels. This injects a certain fragility into the situation, for a spate of sales by home-owners trying to escape from high mortgage payments could make the market sag still further in some areas.

However the building societies have responded inventively to tighter markets. They are now copying their competitors in the centralised lenders by diversifying the mortgage products they offer, a development which also reflects the more elaborate computer systems most of them now possess.

One of the first changes has been the recognition that holders of large mortgages are entitled to a cheaper rate. Only a year ago, some large societies were searching their hearts to see if there was not some injustice in offering a cheap rate on large mortgages.

In the not very distant past, building societies sometimes charged more for large mortgages. Halifax's Apex Mortgage, announced in the spring of 1988 for mortgages above £60,000, is typical of the new cut-price large mortgages.

Skipton's Premier mortgage, for instance, offers a rate 0.45 percentage points below the normal rate on mortgages over £90,000 until 1991. It is available on mortgages of £50,000 or more, but additional insurance is required for loans over 75 per cent of the house price.

Fixed rate mortgages began to make their appearance among the building societies in the autumn with Abbey National and Halifax leading the way. Most fixed rates are linked to endowment or pension policies.

Early in 1989, Woolwich was offering a rate of 12.5 per cent until March 1991, while Skipton was offering 12.25 per cent over three years. These offers reflect the growing skills of building society treasuries in funding through complicated series of interest rate swaps.

Skipton is also offering remortgages under its fixed remortgage scheme. Remortgages are attractive to building societies because in the past they have been used by their rivals among the centralised lenders to take customers away from them. Some societies, notably Abbey National, have launched schemes to entice customers by contributing to the costs of a remortgage.

Several societies, including Halifax, are also offering low start mortgages. The Woolwich Starter Mortgage cuts total monthly costs during the first two years by around £43.32 by offering a mortgage protection plan instead of making borrowers take out an endowment policy and linked insurance. The saving comes from a reduction in insurance premiums.

Cheltenham & Gloucester Bonus Mortgage offers to cut monthly payments by splitting the mortgage into two parts. The first part is a repayment or endowment mortgage of the usual sort. The second part is a loan with interest deferred for five years.

The society calculates that on a £69,000 mortgage, of which £10,000 is a deferred loan, monthly payments during the grace period will fall by about £100.

What happens after five years? "By this time the borrower's salary should, at a conservative estimate, have increased sufficiently to enable him easily to afford the higher payments," says the society.

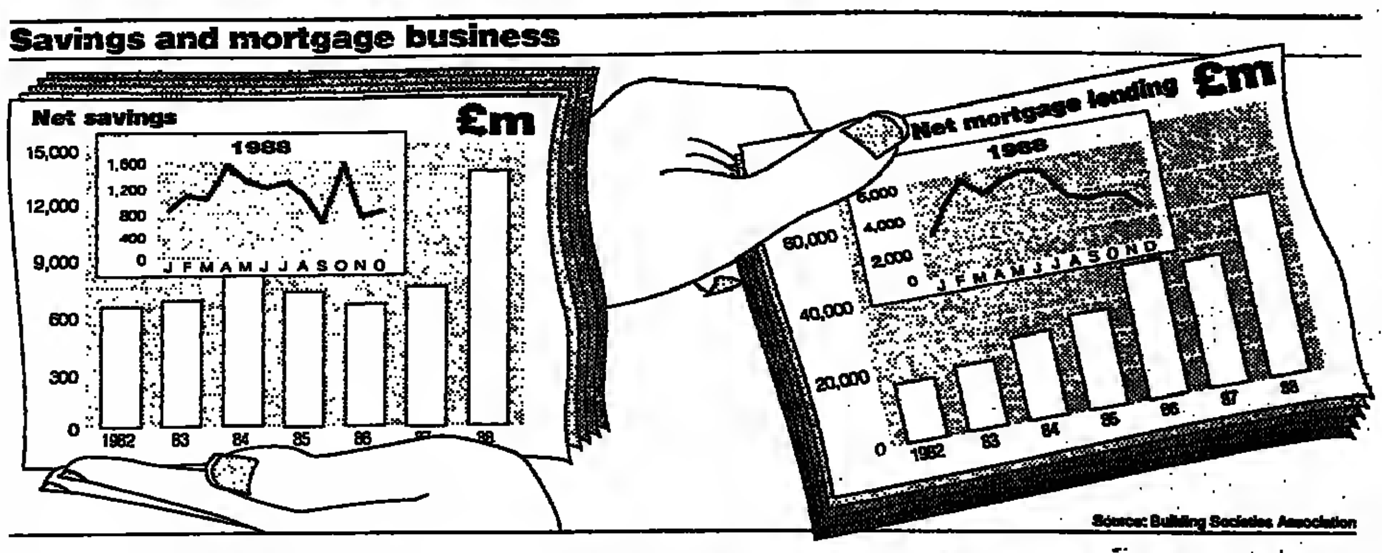
Not all societies are happy about fixed rates and some, even among the innovators, are holding out against them. They are a product of the high interest rate environment of early 1989 which makes people eager and sometimes desperate to find ways of easing their monthly payments.

Less controversial are mortgages for people who cannot certify what their income will be, and experimental schemes in equity sharing. For instance, Nationwide Anglia is offering partnership mortgages for National Health staff in the London area.

Some building society executives, such as Mr Martin Armstrong, chief executive of Peterborough & Norwich, believe that house prices have so far outstripped incomes that societies may have to adopt equity-sharing more widely.

David Barchard

Savings and mortgage business



Source: Building Societies Association

House Prices at the Mortgage Approval Stage

	New Houses Average Price (£)	New Houses Increase (%)	Old Houses Average Price (£)	Old Houses Increase (%)
1982	28,508	1.7	25,167	3.3
1983	31,678	11.1	28,146	11.8
1984	34,160	7.8	30,344	7.8
1985	37,304	9.2	32,673	7.6
1986	43,647	17.0	37,500	14.8
1987	51,290	17.5	43,427	15.8
Oct 1987	54,594	20.1	45,897	18.2
Nov	55,225	21.0	46,871	21.5
Dec	56,806	22.9	47,390	22.8
Jan 1988	56,918	22.3	46,819	20.4
Feb	59,064	24.5	46,423	22.5
Mar	63,688	32.3	51,354	25.9
Apr	62,304	27.0	52,535	26.7
May	63,060	26.2	54,013	26.4
Jun	64,578	29.7	54,828	28.4
Jul 1988	66,577	28.9	56,431	28.1
Aug	66,326	25.4	55,204	23.7
Sep	69,915	32.8	55,085	23.4
Oct	67,488	23.8	53,470	16.5
Nov	69,956	26.7	53,966	15.1

Increases are over previous year or same month in previous year. The average price for all houses in November 1988 was £56,546, a year-on-year rise of 16.4 per cent, far closer to the figures for old than for new houses.

Source: Building Societies Association

Changes in the law alter societies' insurance options

Life insurers tie 72 agents

TO TIE or not to tie: thanks to the Financial Services Act (FSA) and its new framework for regulating the marketing of life assurance, in 1988 that was a central question for building societies.

Should they follow Abbey National and bind themselves to sell life assurance for one insurer, or remain fully independent intermediaries? These are the only options possible under the Act.

The first wave of decisions to go tied has subsided, leaving some major players, including the Halifax, still pondering the question. But what seems likely is that by the end of 1989 all the largest societies will have taken a firm line one way or the other. But in non-life insurance, still dominated for societies by their huge household structure block policies, this year looks like being a period of experimentation in which societies find out how much they can do in practice with their new freedoms under the 1986 Building Societies Act.

The stakes are high, because of the volume of mortgage-related endowment policies the societies supply, and the access they give to non-life insurance buyers. In 1987 the societies' commission revenue totalled £396m, or 11.3 per cent of their net income. One life insurer, Legal & General, says that 12 per cent of its new annual premiums from life assurance for individual customers came from building societies.

Hence the efforts by life insurers to secure distribution channels by persuading societies to become tied agents. So far, 72 societies have gone tied, with Legal & General (18 societies tied) and Sun Alliance (17) as the life insurers most successful in signing them up.

Significantly, with the exception of Abbey National, the five largest societies were all still independent intermediaries. But the Halifax for one is talking to a small number of life insurers to see what other options are available. A key constraint however is the relatively small number of life companies – such as Standard Life, Norwich Union and Scottish Widows – large enough to accept the volumes of new business a tie with the Halifax would produce.

The Cheltenham & Gloucester Building Society's tied agency arrangement with Legal & General (it went live on November 1) gives some idea of what societies see as the advantages of going tied. "We negotiated a very good package," says Mr Richard Hatt, C&G assistant general manager. It went a long way beyond an attractive commission deal, he adds.

A key reason was the desire for simplicity of products and administration. "Our whole approach has been to offer a simple range of branded financial products," says Mr Hatt. "There were too many complexities in operating as an independent."

C&G also saw extra synergies from a closer relationship with one insurer, such as opportunities for joint design of personal pensions, joint development of point-of-sale technology, plus a facility allowing a mortgage borrower to roll up the first five years' endowment policy premiums and add them to the mortgage. "We couldn't have done that if dealing with every company in the market," says Mr Hatt.

In non-life insurance, the most pressing issue is the implementation of the 10 per cent increase in premium rates for household building policies. This was pushed through by the major composites, which dominate the block-policy market, in response to the deteriorating weather claims experience dramatically illustrated by 1987's October hurricane. The danger, here, is of provoking customer resistance, especially in view of the mild 1988-89 winter.

Lloyd's of London, for instance, is eager to build market share in this field (13 of the top 50 building societies now offer Lloyd's household structure policies). Lloyd's has "come on fantastically well in the last two years," says Mr Peter Turley, general manager at the Skipton Building Society. At the moment, Lloyd's is still only encroaching at the margin – the Scarborough Building Society has signed up only 2,500 customers for its Lloyd's policies, offered at premium rates 25 per cent less than the industry standard – but it makes no secret of its ambitions in the area.

The other major issue is how successfully building societies can market types of non-life insurance beyond the basic buildings cover.

A survey last month in Building Societies Gazette showed that of the 50 largest societies 11 were selling motor policies. But this is still an experimental field, with hidden snags.

At the Skipton, which mail-shotted its customer base last February, the society received a response from 7.5 per cent of the people mailed, but very few actually bought a policy.

The difficulty with mail-shots is that they need to hit the customer close to the time he is due to renew an existing motor policy. To be effective, the mail-shots would have to run very frequently – a costly exercise. If the building society sells over-the-counter, there is the problem of clogging the branch with inquiries, especially relating to claims. "The advantage of selling motor insurance is that it gets people through the door of the branch," says Mr Turley. "The trouble is they come in to complain."

There are ways of easing this, via automation. Royal Insurance (UK) has produced a Videotex system enabling a society's branch staff to produce rapid premium quotations and print-out proposal forms for a range of general insurance products, including motor.

It instantly captures customer information, cutting down the administrative workload. "We've built in an application allowing the society to inquire into our records for details of the customer's existing policies," says Mr Mike Wainman, assistant manager of Royal's financial intermediaries unit. The system is in use at the Alliance and Leicester, Derbyshire and Heart of England building societies.

If experiments like these are successful, few observers doubt that there is a pool of untapped demand for innovative non-life products. But if 1989 is a year for experimentation, actual results could take longer. Building society borrowers are facing bigger monthly bills because of higher interest rates, plus the increase in household insurance premiums. They may take a very dim view of societies urging them to spend even more.

Nick Bunker

"The advantage of selling motor insurance is that it gets people through the door of the branch. The trouble is that they come in to complain"

Competing on all fronts

Continued from previous page

currently contemplating conversion into a company. Many more will do so, however, if Abbey National's flotation succeeds. Since members of the society are being offered free shares likely to be worth more than £250 each, the betting is that flotation will get through, although a well-organised group is lobbying in favour of mutuality.

For smaller societies, the choice is much less straightforward. Below the giants of the industry, there are more than a dozen societies which are too big to be considered local or regional and yet not large enough to appear as viable independent players in the unified financial services markets of the 1990s.

Because of their relatively small size, judged by the standards of the financial services sector as a whole, a stock market flotation would probably not raise sufficient for these societies to diversify. They may eventually have to choose between merging with each other or finding a way to link up with a larger grouping outside the industry.

However, many smaller societies display vigorous entrepreneurial instincts. Societies such as Skipton, Norwich & Peterborough, and Walthamstow are of different sizes and character and have moved in contrasting directions. If they were quoted companies they would not be able to withstand a hostile takeover for long. The Building Societies Act still guarantees their independence.

The industry also faces some hard short-term choices. When polarisation was introduced under the Financial Services Act, Abbey National alone of the large societies opted for tied status for the sale of life assurance products, linking up with Friends Provident. Late in 1988 Cheltenham & Gloucester announced that it, too, had decided to go tied.

Now most other large societies seem set to follow, albeit reluctantly.

The downturn in the mortgage market and the signs early in the year of a stock market revival suggest that some of the pressures which the building society industry faced in 1986 and 1987 could easily return. Expectations for the remainder of this year are thus being pitched very cautiously. The record growth and profit figures of 1988 are unlikely to be matched this year.

Societies with clear market strategies, based on their particular strengths, can hope for a year of steady growth and consolidation, in which market conditions remain more favourable for building societies than for some of the newly emerged rivals for their traditional business.

As bank-like as possible

Continued from previous page

mon in large cities.

"One of the first things that Abbey National plans to do when its Stock Exchange flotation is completed is to use some of the money to modernise and refurbish its branches," says Sir Campbell Adamson, the society's chairman.

Other societies are trying to open up their branches by taking down bandit screens and creating an environment in which financial counselling and the selling of a wider range of products can take place.

Diversification of this sort is capital-intensive and even large societies have to be selective in choosing which areas to enter. Abbey National offers a cheque-book current account but has not yet begun issuing a credit card in its own name. Leeds Permanent has chosen the reverse strategy. It has spent a great deal of money on a Visa credit card, but has not entered the cheque-book market in its own right.

Even the largest societies have to be selective. Halifax stayed out of the cheque-book business until its market share figures convinced the society that it had no option but to follow suit. The route it has taken into cheque-books is slightly different (and less expensive) from that of Abbey National which has joined the banks' cheque clearing system as a full member.

Halifax has decided to build its own cheque processing operation in its home town but to have the cheques processed by Barclays.

The dilemmas facing smaller societies are still more acute. Should they stay out of retail banking and so be permanently cast in the role of niche players or should they try to become as bank-like as possible?

A key moment in their futures came last summer when BACS, the bulk electronic inter-bank clearing house, lowered its volume requirements to be able to admit smaller entities. Despite this gesture, most societies below the top five are still too small to join. One way for them to offer the services which go with membership of BACS would be to "piggyback" with several societies clubbing together to provide the volume of business for one of them to join. This does not greatly appeal in the stiffly competitive building society world.

Some smaller societies have decided that there is no point in trying to become too bank-like. "We are a niche specialist with 60 branches," says Mr Terry Adams, chief executive of the Skipton Building Society. "We rely on direct mailing to up-market customers and our members are the sort of people who already have cheque-books. We offer services which may appeal specially to them like health and car insurance, personal loans and on-line share-dealing."

Mr Adams says that this choice partly reflects the fact that Skipton does not see itself as a regional society. Norwich and Peterborough, on the other hand, with 58 branches concentrated into a single region, has gone the opposite route. It offers its customers a wide range of vigorously marketed retail banking services and appears to see itself already as a small but flourishing regional bank.

David Barchard

Another first for the Halifax.

Typically the customer gets all the credit.

Some time ago, the Halifax became the very first building society to introduce its own credit card.

Fair's fair though, we can't take all the credit. Much of it must go to our customers.

We'd asked them what they would really like us to give them.

They, in turn, had suggested a credit card they could use in shops, hotels and restaurants the world over.

We thought it was an excellent idea. But no other building society had a credit card of its own, we observed.

Well then, they said, be the first. It seemed appropriate. And, we're very happy to say, with the launch of Halifax Visa, we were.

(We chose Visa, incidentally, because it is the world's largest payment system).

However, it isn't just our own customers who have seen the benefit. Halifax Visa is readily available to non-customers as well.

What's more, it has also enabled us to significantly extend our role in the transmission of money.

In short, it's a first from the Halifax Building Society that benefits everyone.

But then, would you ever expect anything less from the world's No.1?

HALIFAX VISA

HALIFAX VISA CARD IS ISSUED BY HALIFAX BUILDING SOCIETY, TRINITY ROAD, HALIFAX, WEST YORKSHIRE, HX1 2RG. FOR WRITTEN DETAILS PLEASE WRITE TO THIS ADDRESS OR CALL IN AT ANY LOCAL BRANCH.

Why the estate agents still seem attractive

The first port of call

TWO YEARS of competition by building societies in the retail banking markets have so far left remarkably little blood on the floor. The story is a little different, however, when it comes to the societies' estate agency ventures.

Nationwide Anglia's chain of 510 branches, believed to have been bought for around £120m, is a case in point. It lost £3m in the year ending April 1987. Its founders, Mr and Mrs Donald Storrie, departed soon afterwards, evidently having found Nationwide Anglia's corporate culture somewhat stultifying.

On top of it all, on January 17 this year, Nationwide Anglia announced that it was getting rid of 50 branches. The move was obviously partly a reaction to the downturn in the housing market, but it may also have been caused by the haste with which the acquisitions were made in the first place.

Despite this, Nationwide Anglia remains firmly attached to the idea of owning a large estate agency chain. So, too, do most other building societies. Halifax, the largest society, now has more than 600 branches and plans to buy more in the coming year.

Even small societies have hurried to buy local estate agencies when they come on the market. Estate agencies are the first port of call for anyone buying a house and entering into financial transactions associated with it. Thus they are an obvious outlet for the distribution of financial products from mortgages to insurance. However building societies face a particular snag in trying to get into the agency business. The 1986 Act which allows them to buy estate agencies does not permit them to hold a minority stake in one.

Insurance companies realised the potential of estate agencies in the early 1980s and three companies, Prudential, Royal Life and General Accident, quickly built up large national networks of agencies.

The building societies sought and received the powers to do likewise and since January 1987 the three largest societies have rapidly built up estate agency networks to match those of the big insurers.

Abbey National, whose current strength is about 430 branches, is committed to building a 1,000-outlet chain over five years. The other two large societies may have had similar goals, at least until the housing market's downturn.

For building societies this implies very considerable outlay. In 1988, the average price of an estate agency branch seems to have been around £300,000. The Prudential, building its network up before the building societies, is thought to have spent around £280m.

"The reasons why we decided to go into the estate agency business were partly defensive," says Mr Derek Taylor, general manager of Halifax Estate Agencies. "But we also felt that we could use our new legal powers to develop new financial products to be sold through estate agencies."

As mutuals, building societies cannot issue more capital to fund acquisitions, so the purchases have to come out of

The Act does not allow societies to hold minority stakes

their reserves. Halifax's purchases in 1987-88, for example, reduced its reserve ratio by 0.3 per cent to 3.77 per cent.

Creating new chains of estate agencies poses several organisational problems for the building societies. Some societies have relied mainly on acquisitions, while others — notably the Woolwich — have favoured "coldstarting" branches. A third possibility, tried by Abbey National, is the franchise package which has the attraction of being less expensive than acquisitions.

Acquisitions involve large write-offs of "goodwill" for the market value of a going concern. This is generally many times the value of the physical assets purchased.

"Coldstarting" calls for a much lighter outlay of funds. During 1988 Nationwide Anglia switched from making acquisitions to coldstarts. This change of policy seems to have been dictated by the losses of the society's agency operation.

Once a society has built up a chain, coldstarting becomes easier. Branches can be shifted from unfavourable to better locations and staff can be transferred as a team. The role of staff is crucial. For even if societies negotiate "golden handcuffs" to hold on to staff in the newly purchased agencies, they have little certainty that the staff will not leave them and start up on their own or for a competitor, taking their contacts with them.

For the days of the independent estate agency are not over. Only about 5,000 of a total 14,000 agencies are in the hands of the major chains, and the latter have still to convince the public that the extra services they offer outweigh the personal touch of the small independent local agency.

Binding the branches together effectively is also a challenge. Halifax favours a "hands off" approach to its agencies. Nationwide Anglia, where Mr Tony Stoughton Harris, a senior executive with the society, was brought into replace Mr Storrie, is thought to have been more intrusive.

Finally, estate agencies have to work effectively in tandem with the societies' original branch network which is, of course, also trying to sell mortgages. As estate agencies take on the role of "financial supermarkets", a degree of competition may be hard to avoid.

For societies, the success of their estate agency operations is measurable in terms of the "conversion ratio" — the percentage of mortgages secured for the owner from the total number of properties sold through the agent. Several societies now claim to have conversion ratios of around 40 per cent — an impressively high performance.

The most urgent question for the chains at the moment is how to keep growing during a recession in the housing market which has cut to a trickle the volume of business done by many agency branches.

Before Christmas, Halifax and Bairstow Eves (owned by Hambros) were forced to announce cuts in their estate agency staff. Prudential, the largest agency, announced 500 job cuts out of a workforce of 7,600 in mid-January.

The estate agency chains are products of the housing boom of the mid-1980s, created on the assumption that a stoked-up housing market was likely to be a permanent feature of the UK financial services industry. Building societies, used to market cycles in their business, assume that the upturn in the housing market is likely to come not long after the spring.

If it does not, Nationwide Anglia's cutback could prove to be only the first of several.

David Barchard

David Barchard on the Building Societies Commission

Supervisors' eye on the ball

FROM ITS headquarters in Great Marlborough Street, the Building Societies Commission supervises 115 building societies, performing much the same sort of role for the industry that the Bank of England does for the banks.

In its present form, the commission is a very recent creation, arising from the 1986 Building Societies Act. Until then, the societies were under the Registrar of Friendly Societies (today one of the BSC's subsidiary bodies) — which reflected their philanthropic origins in the last century.

One of the main features of the 1986 Act was the wider powers which it gave to the societies. Strong supervision was felt necessary to guide the societies as they got into the risky business of diversifying into new activities and began to engage competition inside and outside the industry.

It was thought desirable to keep the supervisory body detached from ministries, though it is an offshoot of the Treasury, and that it should be "a collectivity of individuals."

The result was a body combining statutory and prudential regulatory authority, with three full-time commissioners and four part-time ones.

"Our prime activity is the prudential one of protecting investors at a time of greater competition," says Mr Michael Bridgeman, the First Commissioner and chairman of the organisation.

Mr Bridgeman's own background is that of a Treasury official, but the commission as a whole draws on bankers, building society executives (some on secondment), accountants, and includes a former chairman of the Building Societies Association, the industry's trade association.

Late last month, Mrs Rosalind Gilmore, a former Treasury and World Bank official, was appointed deputy chairman. Mrs Gilmore worked at the Treasury between 1977 and 1980 and led the official team on the 1979 Banking Act.

Mrs Gilmore, who worked as a general manager at Dunlop and later as director of marketing at Girobank during her years outside the service, replaced Mr Gerald Watson whose departure for Arthur Young, the accountancy house, is widely regretted in the building societies industry.

The commission's functions are modelled on those of the Bank of England as laid down in the 1987 Banking Act, though building societies operate within narrower limits than banks, being unable to handle corporate business or make international loans, and so have fewer types of risk to monitor.

The commission meets each building society for an annual stocktaking (compared to a quarterly meeting between banks and the Bank of England). It will usually talk directly to the chairman and chief executive of each society, rather than to executives.

Though there have so far been remarkably few examples of unsuccessful diversification by building societies (few societies would concede, for example, that their incursions into the estate agency business have been misjudged), the commission's role is to ensure that if a building society does make a mistake, it will not be such an expensive one that it is unable to live with its consequences, or jeopardise the interests of savers.

Mr Bridgeman says: "We would generally expect societies to be successful but there will be some mistakes sooner or later."

Though there have been no upsets so far, the pace of events since the 1986 Act came into force has been much greater than anyone in the commission or the societies themselves would have anticipated and the evolutionary assumptions about the future of the building society industry which were built into the Act have been put to the test far more quickly than anyone could have foreseen.

As a result, the commission helped bring into being the Review of Schedule 8 of the Act in February last year which greatly expanded the range of permissible activities for building societies.

In working with the societies, the commission operates through supervisors, each of whom has about a mixed group of a dozen societies under his wing, ranging from very large ones to the smallest.

His tasks are to monitor the cash flow of the societies on a monthly, quarterly and annual basis; engage in a dialogue with them over new developments; and watch their management and funding policies. Above all, he will be on the look-out for any signs of problems or difficulties.

Ensuring that the societies make optimal use of their management and capital resources is the main task. In a widely quoted remark at the Building Societies Association's annual conference at Torquay last May, Mr Bridgeman suggested that the industries' troubles in 1987 had arisen because "they took their eye off the ball" — in other words that they concentrated on diversification at the expense of their traditional main business "and let the competition march in through the front door."

What the commission evidently most likes in a society is a clear idea of its role and the most effective way to exploit its resources. This is relatively easy for regional societies which operate with a firm knowledge of their market base. For societies which have grown beyond a certain point, assurance about which path to take may come less easily.

One path which the Act opens to building societies is the option of incorporation as a company. Since this involves a transfer of ownership away from the members of the society — whom the commission exists to protect — this has been a delicate and sometimes fiercely controversial question.

Mr Bridgeman has made it clear that the commission will not give its approval to a society attempting to convert unless it is sure that the members have been fully informed about both sides of the debate.

He also believes in the desirability of retaining building societies as a separate "genus" in the financial services sector. Yet, if not an endangered species, building societies are clearly a protected one.

The improved systems of financial control which have been introduced in the 1980s shelter the industry from the occasional scandals and collapses of societies in the 1960s and 1970s. They have also produced — as the commission's most recent report shows — a set of financial institutions with capital adequacy ratios strong enough to survive in the 1990s.

THE ANALYSTS

Looking to the future

THE LAST two years have brought a new and, as yet, not entirely welcome presence on the scene in the form of the building society analyst. A recent head count in the City of London identified no fewer than seven individuals with a claim to be described as building society analysts.

Analysts make up the background of the research operations of firms which go in for equity market making. Bank analysts are fairly well-known creatures. But the societies are by definition not quoted on the Stock Exchange.

The sights of the analysts are firmly concentrated on the top 16 societies or so. Several firms now produce research papers on building societies. The analysts have to be as careful as their counterparts in other industries to ensure that "Chinese walls" screen them from others in their firms who may be dealing with societies' treasuries and money market operations.

"Sometimes the suspicion can occur that the two sides — research and market operations — are not being kept as separate as they might be. Tempers get frayed very quickly in such circumstances," says one senior executive with a large society.

Several of the building society analysts are in fact bank analysts with an extra string to their bow. Those in this class include Sheila Hall at James Capel, John Tyce at Nomura and Alison Deuchars at Smith New Court.

Ms Deuchars, who used to work at the Bank of England, produced a lengthy study of the building society industry in autumn which was notably restrained in its attitude to the controversy over PLC conversion and tended to support the idea that there was no need for societies to convert on competitive grounds at present.

"From a stockbroking point of view," she says "studying building societies is looking to the future. They are obvious candidates for eventual entry to the market."

Dr John Ginarlis of PA Consultancy is the most senior of the analysts. His work on building societies is part of a systematic overview written up as "Tha Savings War" while he was an analyst at Quilter Goodison.

His conclusions that the scramble for market share in the retail financial services industry will claim a lot of victims are regarded in some quarters as excessively pessimistic, but his was among the earliest studies to expose the triangular contest between building societies, banks and the insurance companies.

At Kleinwort Benson, Mr Kieran Murphy (a former Treasury civil servant) writes a monthly investment research report on building societies which goes to the firm's clients and the top 50 societies.

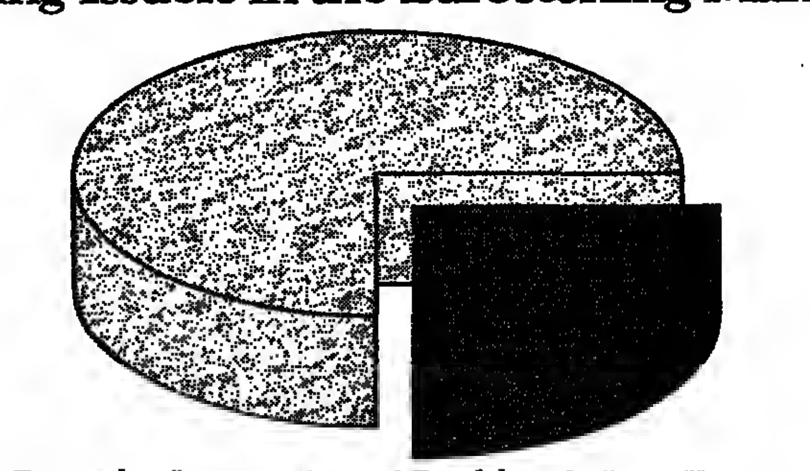
Mr Murphy says the report is intended to enhance market understanding of building societies. Kleinworts acts as joint brokers to Abbey National.

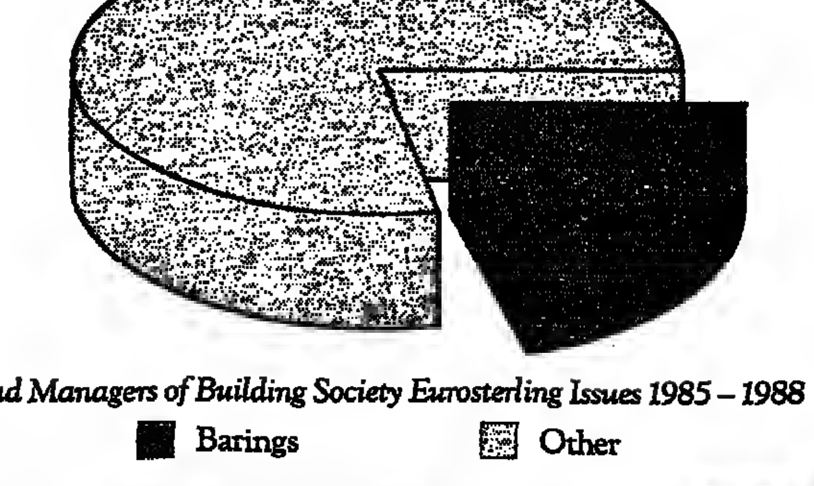
At Loughborough University, Dr Leigh Drake, in a research post sponsored by Halifax, produces regular bulletins on building society issues, published by Euro Brokers Sterling. His work usually covers technical issues of interest to the societies themselves, rather than studies of individual societies.

The best-known of all the building society analysts is Dr John Wriglesworth of Phillips & Drew who is regularly cited as an authority in newspaper articles about the industry. Dr Wriglesworth was an academic economist before joining Abbey National in 1985 where he worked for two years as a strategic planner.

In August last year Dr Wriglesworth published a study of the top 16 building societies, analysing their financial performance. He concluded that Town & Country was the winner. He is currently engaged in a review of long-term market conditions and strategies for the industry.

David Barchard





Can societies diversify and stay within the EC's solvency ratio?

The capital adequacy dilemma

BUILDING SOCIETIES have no shareholders and issua no equity. Until the 1986 Building Societies Act, their only source of capital was their reserves accumulated over the years from their profits.

For the past year, the societies have been able to raise subordinated debt, a long-term form of borrowing, to boost their capital base. Already, £1.25bn has been raised in this way, with £350m of it coming from Halifax alone.

Building societies have two main reasons for trying to strengthen their capital base in this way. They have to ensure that they meet the capital adequacy requirements laid down for them by their regulator, the Building Societies Commission (BSC). But the larger societies also need capital to enlarge their businesses and diversify into new product lines.

Even on their traditional mortgage lending business, societies have to decide between using their profits to fund extra lending or boosting their capital ratios. Now that some want to own estate agencies and stockbrokers, they face a starker dilemma.

Any money spent on an acquisition weakens their reserves at the same time as it increases their need for extra capital to maintain their ratios. Helping themselves to more subordinated debt is of limited assistance. The amount of such debt which can count as capital is only 50 per cent of their reserves — a ceiling which small societies reach quickly.

Assuming that societies do not want to go the PLC route, so enabling themselves to raise money on the Stock Exchange, what should they do?

The Basle Proposals mean that from 1992 onwards the societies will have a further reason for worrying about their capital adequacy. They will have to meet EC minimum capital requirements even if they do not operate outside the UK — and they will have to do so on the basis of a standardised definition of capital.

Most societies look as if on present form they should have no great difficulty in meeting the Basle requirements. Last year's annual report of the BSC gave a weighted average risk assets ratio of 9.58 per cent for the industry as a whole and 9.34 per cent for the 50 largest societies which hold 97.5 per cent of the industry's assets.

Since the Basle requirement is for a minimum solvency ratio of 8 per cent, this looks pretty good. But a study published in September by Kleinwort Benson suggests that if societies find it hard to stay above the limits (they are already only just over tha threshold) thay will have to find other ways of raising capital to diversify substantially.

Some societies claim that they can grow "organically" by starting up new business on their own, as they have always done. A good example of this is the Woolwich's decision to set up its own chain of 20 estate agencies from scratch. This has left it far behind its three larger competitors who bought up existing firms.

So the search for alternative forms of capital goes on. One idea mooted in the BSC annual report is that subsidiaries might be allowed to raise their own capital, perhaps through a joint venture. A more radical suggestion, however, is that societies should be allowed to issue "equity-like shares" without having to demutualise themselves. That has already happened in Australia.

In Britain the idea has met some reservations. Would it not create a new class of owners of building societies alongside the savers and the borrowers? Would the markets accept a hybrid issue of this sort? Would it not be simpiar to become a limited company?

Neverthaless, if building societies are to break through their capital constraints and keep up with their competitors in the 1990s, some solution of this sort may have to be found.

David Barchard

As products get more sophisticated, market strategies may alter

A credit card shake-up

TWO MAJOR new credit cards appeared on the UK retail banking scene in 1988. Both were Visa cards launched by building societies and each had picked up around 100,000 customers by the end of the year.

Halifax's Visa card is processed for it in Dunfermline by the Bank of Scotland and has grown rapidly since its launch in June despite a relatively low advertising profile. In marketing the card, the society is large enough to rely on its branch network.

Halifax was not the first building society to go into the credit card market in its own right. That honour goes to the Leeds, the sixth largest society, which joined Visa International in February last year. Mr Mike Blackburn, Leed's chief executive, came to the society from the Joint Credit Card Company, the issuers of Access.

Leeds' Visa card, unveiled last September with a massive advertising campaign in the daily newspapers, is an affinity card — linked to a charitable organisation. Affinity cards have become a standard feature in the US for breaking into a saturated market and are now being introduced in Britain.

Three charities receive a donation for each £100 spent by Leeds Visa cardholders. The society also offers a lower rate of interest than Barclaycard or Access. Its advertising campaign has been rewarded with a fairly large customer base — 100,000 — for a new card.

That is well above the numbers of cardholders for some of the smaller credit card issuers, but it is still minuscule compared with 13m Access cards or 9m Barclaycards.

"The decision to launch a credit card was partly a question of market research which showed that our customers would welcome a card from the society and partly that we could see a profitable income stream from it," says Mr Blackburn.

It is generally assumed that Mr Blackburn is using the card to broaden Leed's customer base and build up a customer list of creditworthy individuals to whom other financial services can be sold.

This strategy is not one which appeals to most other societies. Nationwide Anglia and Abbey National — like

Howard Aiken: "sharp rise in use of cash machines"

many other building societies — do offer credit cards, but only through other institutions. Nationwide Anglia is the only large society to opt for the Access/MasterCard system rather than the Visa network, though it is not as yet a direct card issuer in its own right.

One of the top four societies, Woolwich, has actually eschewed offering its customers a credit card altogether, saying that it is not required by its present market strategy.

Despite this, several building societies have had talks with Visa International about becoming full Visa members. In doing so, they may have helped provoke a major shake-up in the credit card

The window of opportunity may have closed

industry late last summer.

Building societies chose Visa rather than Access for two reasons. Firstly, Visa appeared to many to be the dominant brand with greater domestic and UK recognition. Secondly, Visa is an association and easier to join than Access which is a company with shareholders and so intrinsically harder for newcomers to enter.

In the autumn, Access altered its rules to allow UK banks and building societies to issue MasterCard branded cards outside the Access brand for the first time. The change seems to have been made because of the obvious preference of building societies for Visa.

As of February 1989, Visa has five building societies as members: Halifax, Abbey National, Leeds, National & Provincial and Town & Country. National & Provincial is known to be working on a card of its own. Yet many large societies have not yet decided to go into the credit card business on their own, presumably fearing that the market is close to saturation and the window of opportunity for entering this area of retail banking has now closed.

For many smaller societies, the cost of issuing one's own fully branded credit card would be prohibitive. An automated teller machine (ATM) card, however, is another matter. During 1988, Link and Matrix, the two ATM networks used by the larger and medium-sized societies announced plans to merge. This decision was followed by the news that Halifax, the only society to run a separate ATM network of its own, was also to join the unified network.

By this summer, building societies should be able to offer their customers a network of about 3,000 machines. This is larger than the individual cash machine networks of the clearers, though their combined networks — for instance, that of National Westminster and Lloyds — are still somewhat larger at about 4,000 machines.

Halifax is currently working on systems changes which will enable holders of its Visa cards to use its Cashcard machines as well as other Visa machines.

Shared transactions — the use of one building society's machine by the customer of another society — are rising sharply, though they are still well under half the total transactions of a network like Matrix.

In 1988, shared transactions on the Matrix network rose to 5.7m compared with 1.8m a year earlier. Customers seem to be learning rapidly about the use of ATM cards.

"During 1988, increased use of cash machines far outstripped the growth in installations of cash machines," says Mr Howard Aiken, general manager of Matrix. "We ended the year with 75 per cent more ATMs but with 341 per cent more shared transactions."

For smaller societies, the cost of an ATM machine — up to £30,000 each — may be a deterrent. So too may be the computer systems needed for the provision of card-based services. But there seems little doubt that most customers now expect to be offered an ATM card and given access to their savings through a cash machine.

The most sophisticated cash machine product is Halifax's Cashcard system. It is a current account in all respects but two. There is a card instead of a cheque book and a customer cannot go into overdraft. Halifax's Cashcard has one advantage over those of the banks. Up to £300 a day can be drawn out using it.

Alliance & Leicester has produced a very similar "card-based electronic current account" and Barclays Bank has paid Cashcard the compliment of creating a not dissimilar interest-bearing "no-chequebook, no-overdraft" account.

However though Cashcard has picked up 3.5m customers, the demand for a chequebook current account has proved irresistible. Towards the end of the year, Halifax will introduce an interest-bearing chequebook current account. Along with this account will come an Eftpos (electronic funds transfer at point of sale) card enabling customers to make purchases through the Eftpos scheme without writing cheques.

It is still not clear whether Cashcard will also become an Eftpos card. Most larger building societies may want to issue Eftpos cards when the system is fully operative.

Only the "big three" societies are actually members of Eftpos UK in their own right. For smaller organisations, access to the scheme will have to be arranged as a sponsored service provider in association with one of the existing members.

David Barchard

PROFILE: ABBEY NATIONAL

In the PLC limelight

"ABBEY NATIONAL is the last society that would wish to grumble about competition," said Sir Campbell Adamson, Abbey's chairman. That remark was made in 1984, when Abbey led the way in breaking the movement's interest rate cartel.

Far from grumbling, the first building society to announce its intention of breaking free from the restriction of mutuality seems positively to have enjoyed competition for long stretches of its 130-year life and to have used its size as a source of political power and corporate innovation.

Abbey is known as a trail-blazer in a movement better characterised until the last few years by prudence and conformity. Outstanding Abbey "firsts" include being the first building society in over 100 years to build houses, when it worked with the Greater London Council in Tower Hamlets in 1981; to allow home buyers to see the society's valuation report; to launch the first UK £100 cheque guarantee card; to pay a competitive rate of interest on current accounts, join the Bankers Automated Clearing Services, set up a subsidiary in Jersey, go into the Spanish property market.

It became the first building society to finance a big commercial property development when it put £40m into the Paddington Basin development in West London in January last year.

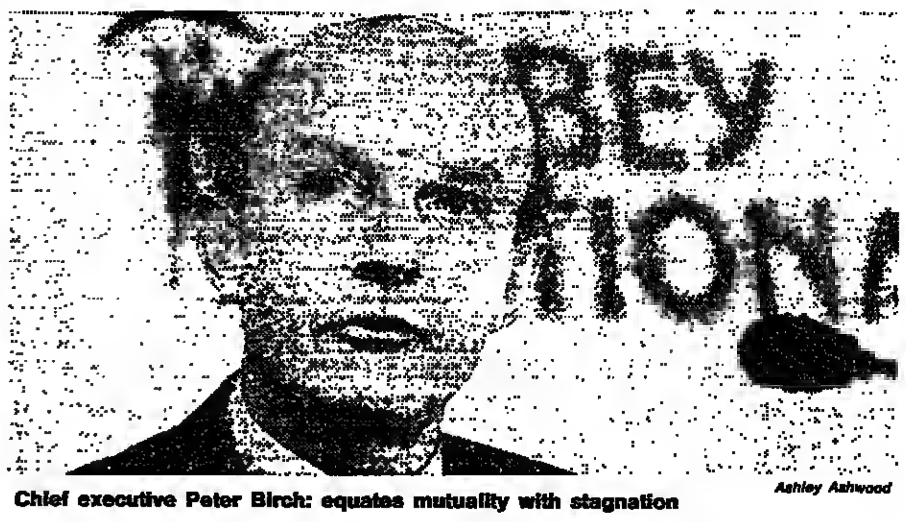
These are all developments of the 1980s but the society's history is not short of others, including the then Abbey Road Building Society's link with Legal and General in the 1930s to set up the first effective mortgage protection policy, and a string of advertising initiatives including the first building society appearance on commercial television, which was in 1954.

Abbey's immediate past chief executive, Clive Thornton, who presided over the opening of the latest era of "firsts", ascribes the society's assertive profile to its choice of leaders. "Throughout its history, it has been unconventional in its chief executives," he says. "The culture of any organisation is always set by the chief executive, and the Abbey never put the corporation man at the top.

"In customer service, I don't think the Abbey is different. The fact it does it so well is that it is so big and so successful."

Abbey National is the result of the amalgamation of two leading societies in South-East England in 1943: the National Building Society and the Abbey Road Building Society. The National was founded in 1849 by ardent campaigners for the right to vote, who realised that the path to broader franchise, which was then tied to property, lay in easing the way for more men to own their homes. This evangelistic trait was noticeable in the initiatives taken by Mr Thornton, who mounted campaigns to ease the home-buying process, and set up links between housebuilders, the Abbey and local authorities so as to generate more social housing.

The origins of the society's repeated initiatives to break free of legislative constraints possibly lie more strongly with



Chief executive Peter Birch: equates mutuality with stagnation

Ashley Ashwood

the Abbey Road. This society, which was founded in 1874 down the road from the Beatles' EMI recording studios in St John's Wood, London, grew so fast that its secretary described the first year's results as "almost unprecedented in the annals of the building society movement." The Abbey Road began a vigorous advertising campaign in the local press, and has continued to beat the drum in the media ever since. It frequently has the largest advertising spend of all the societies.

The commercial edge came in 1984, with the appointment of an outsider to the building society movement, the current chief executive, Mr Peter Birch. He joined a board already containing directors drawn from commerce and government. The trend has been further strengthened this year by the appointments of Mr James Tyrrell, who joined Abbey in 1982 as general manager-finance from HMV Shops, where he was managing director; and Mr Martin Llowarch, chief executive of British Steel, now a non-executive director of Abbey.

Mr Birch, who had been managing director at Gillette UK, joined Abbey's board at the time the banks were making inroads on the societies' domination of the mortgage market. With the home-buying market foreseeably reaching maturity, the future for an organisation committed to change lay in diversification, and the com-

Clive Thornton: assertive style

petition came not so much from other building societies as from the organisations now moving into the housing and personal finance markets.

Yet even after the revisions to the 1986 Building Societies Act, societies are still constrained in diversifying away from their core business. The financial weight of the Abbey, which had assets of £26.41bn at December 31 1987, and the fact that no society has yet come up against the prudent limits set by the Act, is not the point. The Abbey is restless with the status quo.

Mr Birch puts the emphasis on competition and equates mutuality with stagnation. "Our competitors have freedom we do not enjoy," he says. "They can raise capital where and when it is advantageous to so do. They have the operational flexibility to place their resources at the dictates of customer demand, not an act of Parliament.

"Critics have warned of the danger of becoming a PLC. They overlook the danger of remaining mutual, which could involve becoming victims of squeezed margins and eventual decline. The temptation to equate mutuality with motherhood, and PLC status with rapaciousness, is simplistic, wrong and insulting to both mutual and public limited companies."

This clarity of vision contrasts with the more cautious statements made throughout 1988 by the Halifax, the largest of the country's building societies, which exemplified the movement's traditional attachment to prudence in the year-long run up to its own decision not to go for immediate public quotation.

In a movement which traditionally had only two, undifferentiated products — one for savers and one for borrowers — the Abbey's flamboyance in advertising, its commitment to growth, its catholic choice of chief executives and its careful nurturing of contacts in Parliament, go some way towards explaining why Britain's second largest building society should be the first to announce that it intends to graduate from mutuality.

Jemima Kallas

The risk of relying on depositors' funds is that they are too fickle

Buying wholesale has its appeal

BUILDING SOCIETIES, flush with depositors' funds, show no signs of turning away from the wholesale money markets to raise fresh cash. If anything, the societies have been among the most active users of the Eurobond markets in the first few weeks of 1989, launching seven issues totalling nearly £700m.

Building societies have come a long way since the pre-stock market crash days of 1987 when they competed so fiercely for depositors' funds that the cost of retail money actually rose above that of wholesale funds. But those days taught societies a sobering lesson about just how fickle their retail customers could be. Societies with access to the retail markets vowed never again to become too dependent on them for funds.

"We are flush with cash – that's the situation right now. You've got high interest rates and lessening mortgage demand," says Mr Simon White, assistant treasurer in charge of capital markets at Halifax Building Society, the UK's largest. "But we keep going to the wholesale markets because it's prudent liability management. It's necessary for us to diversify our sources of funds as much as possible."

Should the high UK interest rates subside and the stock markets indices return to their pre-crash highs, Mr White says there is little doubt that building societies would once again find themselves quickly losing their retail deposits.

The steady stream of capital markets funding has continued, despite the fact that wholesale money is now more expensive than that raised through retail deposits. While building societies are loath to disclose their cost of funds, the average rate of retail money is well below London interbank offered rates.

Mr Mark Abbott, a specialist in corporate finance for building societies at UBS Phillips and Drew, notes that societies are trying hard to cultivate a reputation among the institutional investors who buy their paper in the wholesale markets. "The larger societies want to keep their name in the market," he says. Societies are taking the view that it is necessary to make periodic appearances in the Eurobond markets with attractive issues, even if the cash is not needed, in order to obtain the loyalty of these institutional investors.

Also, the wholesale markets have proved a quick way of raising cash to meet the record demand for mortgages seen in the UK in 1988. "Our mortgage lending was up 60 per cent in 1988 to £3.2bn," says Mr Peter White, treasurer at Alliance and Leicester, the UK's fifth largest building society. Even a massive increase in retail deposits would not have provided enough cash to meet that demand, he says. About 16 per cent of all Alliance and Leicester's funds are raised in the wholesale market, he says.

In late 1987, the percentage of building society liabilities that can be raised in the wholesale markets was increased to 40 per cent from 20 per cent, partly as a result of lobbying by building societies which were having trouble competing with UK unit trusts. Several societies, by mid-1987, were close to the 20 per cent ceiling and feared they would have to cut mortgage lending if retail deposits did not increase.

However, just as the ceiling was raised, UK stock prices crashed, sending small investors racing back to the safety of the interest-bearing building society accounts. So the average percentage of building society liabilities raised in the wholesale markets is still below 20 per cent, but societies have the comfort of knowing they can raise that level if necessary.

Meanwhile, building societies have received a boost from the new international standards on bank capital adequacy. The risk weighting on their securities, which determines how much capital bank investors must hold against them, was cut to 50 per cent from the initially proposed 100 per cent. When the Bank of England announced the reduction last December, prices of floating rate building society notes rallied strongly. Now, margins on new paper are typically no more than 10 basis points, down from 18 to 20 basis points over a year ago.

"They want to keep their name in the market"

But because building societies are relative newcomers to the international capital markets – the first issues were not launched until 1983 – they have had their work cut out for them in trying to educate potential investors.

For one thing, the industry has been tarred by the brush of the US savings and loan industry to which it is frequently compared. "We've spent a lot of time talking to investors and saying 'We are not a savings and loan'." Among other things, building societies are careful to point out that they do not suffer the asset-liability mismatch that got their American counterparts into so much trouble in the late 1970s and they operate under far more restrictions than do thrifts.

Still, building societies are increasingly seeking credit ratings from the major credit analysis agencies in order to make their securities more easily saleable abroad.

Meanwhile, building societies are showing increasing sophistication in their use of international capital markets, as can be seen from several recent Eurobond issues.

For instance, Abbey National has just issued a £100m six-year Eurobond paying interest at 11¼ per cent for the first four years and a rate equal to 10 basis points over the two-year sterling swap rate. Unusually, there is an investor put option after four years, suggesting that the issue may run contrary to Bank of England rules prohibiting sterling securities of less than five years.

Lead managers for the issue, J P Morgan, are credited with having designed a security allowing Abbey National to take advantage of the much more attractive swap rates available in the two to four-year area. But the securities caused a storm of protest from other UK banks which felt that the Bank of England had allowed an end-run around its own rules.

As a result, the Bank has indicated that it will approve sterling issues with put options before the fifth year only if the post-put rate is spelled out at launch. Post-put rates tied to a margin, such as that on Abbey National's deal, will not be approved.

The Bank's refusal to bend its rules on five-year securities has been a disappointment for building societies. Mr White notes that the only way for building societies to issue shorter paper is to call the securities a certificate of deposit on which minimum denominations are £50,000.

The only way round the restriction, he says, would be to take a step used by the banks but currently forbidden to the societies. It requires establishing an offshore financing subsidiary and issuing securities through that mechanism.

Norma Cohen

NON-RETAIL SOURCES OF FUNDS*
Figures in £m

Period	Receipts	Repayments of Principal	Net Inflow	Payments of Interest
1986	24,171	18,030	6,141	906
1987	33,183	30,033	3,150	1,589
1988	50,862	45,293	5,569	1,740
Sept 87	3,357	2,845	512	145
Oct	3,335	2,845	490	109
Nov	2,121	2,462	-341	93
Dec	3,540	2,772	768	162
Jan 88	3,331	3,244	87	136
Feb	3,492	3,374	118	120
Mar	3,923	3,566	357	170
Apr	4,179	3,380	799	141
May	3,468	3,235	233	96
Jun	4,848	3,814	1,034	110
Jul 88	4,522	4,020	502	121
Aug	4,233	3,837	396	134
Sep	5,201	4,322	879	172
Oct	4,329	4,245	84	234
Nov	4,455	4,470	-15	130
Dec	4,946	3,846	1,100	176

* Amounts raised through syndicated bank loans, time deposits and the issue of negotiable bonds, certificates of deposit and Eurobonds.
Source: Building Societies Association.

PROFILE: JIM BIRRELL

How the Halifax keeps its cool

MR JIM BIRRELL became chief executive of Halifax Building Society last summer, running the world's largest building society from a brightly light room with walls of plate glass which looks down on a panorama of streets, roof tops and church towers far below.

In relaxed moments, Mr Birrell gazes down at the town, marking with satisfaction the architecture of solid 19th century church towers, his view pausing a little less happily on some of the large buildings which have gone up in the last few decades.

Mr Birrell grew up not far from Halifax. His father, an English teacher and lover of Shakespeare, was deputy head master in Thornton's Grammar School in Bradford. His son, who trained as an accountant, worked with several firms in Bradford before joining the Halifax, inherited a strong sense of commitment, appropriate to the head of an organisation which takes a discreet pride in occupying the high moral ground of the building society world.

"I would describe myself as a shrewd altruist," Mr Birrell says. "When I joined Halifax, I was very attracted by the idea of working for an organisation with a clear social purpose. I very much believe in the need for firms to to make a contribution to the community in which they operate.

"Nowadays I admit to being a reformed radical," says Mr Birrell. "But when I joined the society, I came with very strong views and I still think there is a duty to add to economic and social betterment."

Jim Birrell entered the Halifax at the relatively late age of 35 in 1968, 13 years after he had qualified as a chartered accountant in 1955. Beginning on the auditing and financial side, he became Assistant General Manager after five years and Secretary of the society. His years on the financial side with the general manager were followed in 1982 by a move to be regional manager in London, taking him out of the North for a while.

Jim Birrell: plans to set up European operation

Mr Birrell is conscious that the society's character is shaped by its location. Halifax executives sometimes like to imagine how the society would have developed if it were London-based. Mr Birrell does not believe that there are any serious problems that come from being in Halifax. "I can get to morning meetings in London in good time when I need to do so," he says.

He has also developed a strong belief in hands-on management. At that point he drew breath in early 1986 with a three-month sabbatical at the Harvard Business School where he took part in the Advanced Management Programme.

Only months after his return, in December 1986, he was made operations director of the society and moved into line to succeed Mr John Spalding as chief executive on his retirement last summer.

"We operate in a mature marketplace where we must develop our range of services"

The key change in his career came when he became marketing general manager in April 1985, a job which he held until 1986. The appointment involved a switch from looking at things from a financial perspective to looking at them as a marketeer.

The change did not come effortlessly but it was profound and permanent. Today Mr Birrell says of himself: "I see myself as a marketeer with a financial background."

"I believe the Halifax is a very special organisation," says Mr Birrell. "It responds to the need for thrift in an uncertain world. But we are operating today in a mature market-place, where we must develop our range of services."

Some of these will take the Halifax not just into new lines of business, but out of the UK market. "We are very interested in European markets and 1992 and we plan to set up some European operations over the next three years," he says. "We must do it realistically, and this is very new for us. But of course our main concern will always be the UK market in the foreseeable future."

More generally, given the increasing competition of retail financial markets, he says that he is pushing for "a more entrepreneurial style for our new businesses" while accepting that Halifax's traditional core business in the savings and mortgages markets is going to remain dominant.

As an example of successful diversification, he cites Halifax's estate agency operation on which the society spent £100m in goodwill last year, and plans to continue with substantial further spending this year, despite the downturn in the property markets.

"Our new areas of business which will operate as separate business units, though with clear business working targets for their performance," he says.

Outside business hours, Mr Birrell says he "plays bad golf, and walks." He is also an enthusiastic amateur archaeologist and is chairman of his local archaeological society.

His two daughters are now both married, with one living in London and the other in New York.

Mr Birrell's *tranquil* personal style is very much in tune with the corporate spirit of the Halifax, and contrasts strongly with those of chief executives in smaller societies.

Yet Mr Birrell – who can expect to lead Halifax well into the 1990s – is piloting one of Europe's largest financial institutions through a period of swift and far-reaching changes for the industry. His years as chief executive are likely to be among the most formative in the society's history.

David Barchard

THE SMALLER FIRMS

Goliath may not suit little David

MENTION the words "building *society" to many* people in Britain and they are as likely to think of a small local society as of one of the top half-dozen giants. For 56 per cent of societies hold only 2.5 per cent of the industry's total assets.

Their counterparts in banking bave long since disappeared and even in the estate agency business, the winds of change are blowing strongly as large groups emerge to take the place of small independent local firms. With so much concentration going on in most retail industries, small building societies look something of an anachronism.

Not unnaturally, some of the larger societies are eyeing small societies as a way of growing larger. Cheltenham & Gloucester, for example, regularly holds discussions on mergers with small societies, pointing out to them the benefits of going in with a larger group. The advantages to the large society are that it can build np its asset base and hranch network. The staff of the smaller society get security and access to a much wider range of products.

The chairman of the smaller society can expect to be made a regional director of the larger one, or sometimes even to get onto the board. But how often will a small society be best advised to exit from the market in this way?

In June last year, Britannia, the ninth largest society, published a specially commissioned report on the future of the industry. Its prescription was that strength would come through mergers to create a *few large societies*.

"Are branch offices needed if funding can be provided more cheaply?"

"The only significant institntions providing mortgages on a mutual basis in 10 years' time will be a group of six to 10 building societies, each with assets of £10bn to £15bn," said the report, specially commissioned from Professor Victor Morgan, emeritus professor of economics in Reading University.

"Ridiculous," says Mr Michael McCarthy, managing director of Walthamstow (asset size £287m in 1987). "The large number of joint stock, merchant, and foreign banks and investment bouses indicates that there is room for a large number of building societies operating in differentiated markets."

Mr McCarthy is a conscious niche player who has decided that Walthamstow should go for the mortgage market and regard funding as a separate entity. "The question is," he says, "whether there is a need for branch offices if funding can be provided more cheaply *through the wholesale markets* or out of the pages of newspapers."

He disputes claims by the larger societies – echoed in reports by Britannia and later by Woolwich – that unless they can provide the whole range of banking services, there may be no fnture for building societies.

"There are opportunities for separate finance companies, mortgages, mortgage account servicing companies as well as fully integrated banking operations," he says.

Walthamstow has focused on the twin goals of profitability and growth, identifying the marketing of higher return mortgages as its major profit-making activity. To do this, like the centralised lenders, the society has gone out of its way to devise policies to meet the needs of intermediaries.

The society's 12 branches are geared mainly to marketing mortgages and while it relies on advertising in the national press and wholesale money markets for funds. Rather than raise funds first and then using them for mortgages, Mr McCarthy believes in getting mortgage business first and then getting the funding.

Mr McCarthy shut some of the society's branches in the North-West in order to free resources to concentrate on the South-East. He also identified particular places where things were going on, where "long-term employment and economic buoyancy might generate extra business."

Likely developments to produce business opportunities in Walthamstow's catchment area include the Channel Tunnel, Docklands housing projects, Stansted airport, the Dartford Tunnel hridge, the M11 link across the Thames near Dockland and the electrification of the Eastern Region railway lines.

Using these policies – and a clutcb of deliberately eye-catching innovative products snch as 40-year mortgages, roll-np loans, and higher income multiples – Walthamstow claims to have outperformed most of the industry in selected areas.

Walthamstow's achievement has parallels elsewhere. Norwich & Peterborough (a rather larger eociety with 58 branches) has opted to become a regional bank offering a highly diversified range of services.

For very small societies, the future looks bleak. A study by McKinsey, the international banking consultancy group, predicted that by 1992 the number of building societies could have fallen to 50 or 60 – around half the present number. But unlike the other reports cited in this article, McKinsey predicts that medium-sized societies can go on playing a significant role.

To do so, the firm says that societies will have to make some clear decisions about not only their product range but also the degree of vertical integration appropriate to them.

"Full vertical integration may no longer be appropriate for smaller institutions," warns the report. One suggestion is that small societies could become pure selling organisations, originating mortgages and marketing savings products but leaving production and processing to larger third parties.

Skipton is making money by doing others' mortgage administration

Smaller societies will also have to gain access to professional treasury skills to handle a wider range of treasury risks.

McKinsey suggests that small building societies may want to shed back office operations. However Skipton, one of the most successful of the smaller societies, is making money by doing mortgage administration for others. Alongside its own mortgage book of £1bn, it is now administering £1bn of other people's mortgages, including the entire book of Kleinwort Benson, the London merchant bank.

Other small local building societies relying on the entrepreneurial flair of their managing director and a strong local following can still have a place in the market, relying on a detailed knowledge of a small community. Beverley (assets £15.7m) and Scarborongh (assets £157m) in Yorkshire are examples of small but vigorous societies.

These societies however have not only to battle for market share with the giants. They also have to recruit good executives. A few weeks ago Mr Peter Gargett, Scarborough's chief executive, resigned. Under him Scarborough had attracted something of a nationwide repntation. Now the eyes of the industry are on the society to see how it will do under his successor.

David Barchard

MINDING YOUR OWN BUSINESS

So you want a loan to set up your new venture? **Roger Bardell** explains the way to go about it

How to make your bank manager happy

BANK MANAGERS often feel like the beast – as in Beauty and the Beast. We believe we are feared and unloved undeservedly despite our natural warmth and affection.

Perhaps it is just a lack of communication that makes us rank so low in public esteem. Research shows that we rate around the level of estate agents and salesmen. That might, of course, be appropriate now that we are involved in both those professions.

Bank managers are alleged to take delight in turning down requests for loans while, at the same time, lending irresponsibly. We are supposed to avoid seeing customers while, at the same time, always managing to be engaged. And so the contradictions go on . . .

Our charges are supposed to be excessive. Yet, anyone who has missed the series of free banking initiatives over the past 16 months must have been living on another planet (and certainly should have compared our fees with those of accountants.)

As for helping small businesses or business start-ups, it is true that we do sometimes have to seek further information amd even turn down requests for loans on the basis that bank finance is not appropriate for the scheme concerned, or that the business cannot generate sufficient income to repay, or even that the scheme itself is completely dotty.

I would point out, though, that just because you think crocodile wrestling is the greatest relaxation imaginable, it does not follow automatically that spending £100,900 on a Crocodile Fight Training Centre is a viable business initiative.

One of my favourite encounters was with a charming and persistent customer who had no job or income but who wanted funds to travel to South America in order to start a silver mine. He was supremely confident of success; I felt that Lloyds Bank shareholders might see things differently. When I said: "No, no, no, definitely not, under any circumstances," his confident response was: "Well, can I speak to someone who can make a decision?" He reminded me of the football manager looking for "a result."

The truth is that bank managers *like* to help, because a satisfied customer is an excellent source of new business. Small businesses make satisfying customers as problems are shared with them. And, of course, we do need to make a profit.

While there can be no cast-iron, guaranteed way to obtain funds from a bank, some carefully considered plans, with assumptions which have been tested thoroughly, go a long way to help.

Looking at things from the bank manager's point of view, he has a business to develop, too. With increasing competition, existing customers have to be retained and new ones wooed.

Don't try to persuade the bank manager to say "yes" to a shaky proposition. Thet doesn't do anyone any good. The business plan (an almost mandatory document these days before the serious talking starts) must lend substance to the proposal. It must support the people involved, give credibility to the declared aims, and set out answers clearly to questions that the manager could only discover otherwise after a long interview.

Presentation is important when going to the bank for money, although perhaps not in the way you might think. Glossy productions, bound expensively, with artists' impressions of the proposed factory, do little to win the bank manager's heart. I once told a groop of accountants that I would rather see a few figures scribbled on an anvelope by the proprietor of the business than a 100-page "glossy." They showed some incredulity, but I think I made the point that the medium must not be allowed to take over the message.

It is also a good idea to be familiar with the conteots of the business plan and other information you are offering to support your quest for cash. It is not at all helpful to the bank manager if you answer his questions with: "Oh, yon'll havs to ask my accountant that, he prepared the plan."

Cynics say that cash flow forecasts alweys have three feetures: they forecest peak borrowing in the first month, restoration to credit within nine months, and e substantial positive balance by the end of the year.

It is surprising how many do look like that, presumably on the ill-conceived besis of "let's spend the goodies as soon as possible and tempt the bank manager by showing him what a good account it will be within 12 months." That will not work, I can tell you.

Your manager will study carefully four areas in your plan. These are:

■ **The early months.** The purposes of the initial drawings of the loan are vital. New BMWs for the proprietor and his family will not impresses the bank half as much as they will the neighbours. A display of prudence at a time when funds are in short supply in those early days is far more likely to win the manager's support.

■ **Always come clean.** If you think you can raise additional finance without the bank's knowledge, forget it. Borrowing to cover the deposit on equipment to be bought on hire-purchase (or advance rentals on leasing transactions) will raise questions about the debt. The equity level, or debt servicing ability, must be realistic.

■ **The top line.** The "bottom line" is an expression that has become a cliché for modern life outside the financial world. What is important in forecasts, however, is the top line – the sales projection. If this turns out to be adrift hopelessly, the cash projection will collapse in ruins, too.

The bank manager will need to be entirely comfortable with the figures, the assumptions behind them, and the projected time-lag between sales and collection of the debts. If there is a simple, most important part of the whole business plan, then that is it.

A good sales projection follows from analysis of the market and the competition, the range of potential customers, etc. It is vital because it affects the profit and loss account, the repayment of bank borrowing, and, ultimately, the growth of the business.

Finally, a tip. Don't regard your business plan simply as a meeos of borrowing money from the bank. Use it as a continuing source of reference for monitoring your bnsiness activity. If you exercise the discipline of self-monitoring, and take the trouble to tell your bank manager when real life is diverging from the plan, it will demonstrate that the business is being run properly – and do wonders for your credibility.

■ *Roger Bardell is divisional manager of Lloyds Bank Small Business Services.*

Roy Hodson meets a man who took his inspiration from the Roaring '20s

Vintage vans with hidden assets

IT WAS AFTER his 1927 Austin 12 delivery van boiled over and refused further work halfway up a hill, sulking in a cloud of steam, that Crispin Reed decided there must be more reliable ways to publicise his reproduction antique furniture business.

Then, fate took a hand. The strong pound in the early 1980s forced Reed and his partner to get out of furniture and look for another product. "The van came to mind," he says. "People were continually begging us to deliver in 'your cute little van.' We used to dread every trip because it was so unreliable."

They started the Asquith Motor Carriage Company and began making delivery vans in the style of the 1920s, but with the reliable engines and chassis of the modern Ford Transit hiding under the glossy coachwork and mahogany trim. Wearing a striped blazer and a boater, Reed was pictured beside his first "vintage van" on the front page of a tabloid newspaper. "Within 10 days, we had taken £40,000 in deposits against orders, such is the power of the press," he says. "The money enabled us to start serious production."

Five years later, and after some false starts and detours into cul-de-sacs, Asquith vans are chugging into world markets as fast as 45-year-old Reed and his work-force of 35 can get them out of their Essex factory. Last year he sold 60 vehicles – all derivatives of two models – and turned over £1m for the first time. The £20,000 Shire, which is based on the Transit, can either be a big van or a 12-seater courtesy coach while the Shetland, costing up to £14,000, is a small van using a Reliant chassis with an 850cc engine.

This year, Reed hopes to double output to 120 vehicles, providing Asquith Motor Carriage with a turnover of £2m. Already, his order book is full for the next 12 months. Half the vans will go abroad to Japan, West Germany, France, Holland and Denmark where customers will use them mainly as mobile advertising.

But Asquith vans nearly came off the road for good quite early in their production life. Ford decided to change to a new Transit design, which meant the chassis would not be available for 18 months. Reed was faced with having to stockpile 50 Transit chassis costing £250,000 in order to stay in business while Ford re-tooled.

He spent "six interesting months" walking the pavements of the City of London trying to secure venture capital. He failed. "There was no money available for the sort of high-risk venture that I was seen to be." Back at the factory, his sign-writer was putting some flourishes to the art work on what Reed expected would be the last Asquith motor carriage. They chatted about the hard-hearted money men up in London. Then, the sign-writer had a brainwave. He had heard that a local Essex industrial group, the privately-owned Hunnable Holdings, was interested in new ventures. He turned out to be right.

By October 1984, Asquith was a wholly-owned subsidiary of Hunnable and had a secure future, with backing of £400,000 to buy the Transit chassis and expand production. It also moved into lavish manufacturing space, some 50,000 sq ft of linked sheds and bays on the Hunnable industrial estate at Great Yeldham, Essex. Since then, bottom-line profits by Asquith have been less important to its new owners than the long-term growth of the business. Almost everything earned has been ploughed back. A modest profit of £10,000 was made in the last financial year.

Asquith's German agent, who sold 25 of the vans last year, explored the possibility of making them in Germany, Eventually, he reported back to Reed: "The Germans have too much sense to build them. They are too complicated to make profitably."

Production has turned out to be Reed's biggest headache. As everything on the vans is hand-made, after the Ford chassis has been modified by Asquith welders, it is a labour-intensive business.

The Asquith motor works does not resemble even remotely a modern, automated vehicle production line. Instead, the vans wend their way through the sheds at a leisurely pace, having a piece of wood added here, a glass fibre panel fitted there. Old skills and new are found side by side. Nine coats of synthetic paint are applied in modern sealed booths while wooden window frames are made and fitted by hand. In the final process, the signwriter and his assistants spend days transferring customers' rough art work to finished gold lettering and embellishments.

Meanwhile, the Ford Transit cabs which arrive with the chassis are removed and sold for £300 apiece, while the wheels are replaced by spoked wheels cast in aluminium by a Telford specialist.

As the Asquith vans are aluminium and glass fibre beyond the steel Ford chassis, they are not prone to rust and hold their value. Five-year-old models are changing hands at their original purchase prices. But, as Reed points out: "They are already 60 years old when they leave the factory. We are the only manufacturer to remove the depreciation before delivery."

■ *Asquith Motor Carriage Company Ltd, Hunnable Industrial Estate, Great Yeldham, Essex CO9 4EU (tel. 0787-237-622).*

Chugging into a profitable future: Crispin Reed with two of his Asquith vans

Alan Harper

PROPERTY

Forest wealth belt

AFTER THE past couple of years of headache-making news and lay-offs in the equity markets, it might well be time to start thinking about some alternative to the traditional description of a wealthy housing area as part of a "stockbroker belt."

The "currency dealer belt" might fit the bill, but for the fact that most such traders rarely get the time to notice where they commute from in the dark. As for "insurance broker belt," that sounds too much like an area where every house has three Neighbourhood Watch signs and six burglar alarms over the door. Perhaps readers might oblige with their ideas.

Whatever the generic description, the New Forest has long ranked as a wealth belt on the strength of demand for homes a couple of hour's drive from London with paddock space for the family ponies and the Solent nearby on which to play or watch the boats. And Paul Jackson, now a national director of GA Town and Country but still also the man at the head of its constituent agency, New Forest specialist Jackson & Jackson, has a rare crop of major freehold houses for sale within the forest.

Hilltop House (pictured) is a good example of the suburban polish that distinguishes so many of the bigger houses in the area after successive generations of improvement. It's a 17th century, Grade II-listed, six-bedroom building set in 8.5 acres in Beaulieu. The original house is faced with stone from the pre-Reformation and *Dissolution Beaulieu Abbey,* but modernisations and add-ons have extended the property to include three bathrooms, a playroom, smartened-up outbuildings (including three loose-boxes) and a self-contained, two-bedroom cottage near the house. GA Town & Country (tel. 0590–75025) is asking "over £750,000" for the freehold.

Farmhouse French without tears

IT CAME as a bit of a shock to realise that I had done something fashionable. My wife, her brother, his wife and I had just become joint owners of a long, low, three-bedroom converted farmhouse in the Pas de Calais, near the French town of Hesdin.

My wife and I had spent a couple of days looking at small country houses in Normandy at the end of our August family holiday and thought prices, compared with those in south-east England, were too reasonable to ignore. The Normandy farmhouse is one of the most attractive types of residence in Europe.

However, Michael, my brother-in-law, and his wife prefered the Pas de Calais and we eventually saw the advantages. The main one was travel time. They can travel home to Chatham, Kent, in less than four hours and its doesn't take much longer to our home in south-east London.

We have a weekend home in a travel range that would take in south Yorkshire and the Welsh borders and at a price that could not be matched this side of remoter Scotland.

Buying it was fairly painless. My wife and I went to France on a Thursday in late August. We wasted a day with an *immobilier* (estate agent) at Boulogne, then went on to Hesdin. There an agent showed us three places: one a wreck, another too big and too enclosed and the other possible but dear.

Michael and Patricia joined us on the Saturday and we showed them the possibility, but it was damp. A different agent took us to another house, under the edge of the *Forêt d'Hesdin*, and that was it.

The owners – I shall call them the Grosjeans – used it as a weekend retreat. They were charming, lived near Lille and he was a tiler. The whole place was in seamless order. The only drawback, if it is one, is the size of plot: at 42 *ares* it is more than an acre.

The Grosjeans wanted FFr 400,000 (about £38,000 at the then current exchange rate of FFr 10.6 to the £). When we got back to the office of the *immobilier* we received the bad news – we had expected *les frais*, the expenses, to be steep, but not 20 per cent. (There is a heavy tax on property sales, plus the fees of the *notaire*, the lawyer, and the agent).

We dug our heels in and persuaded the agent to reduce his fee by FFr 8,000 to FFr 22,000. Later the Grosjeans trimmed their price by FFr 10,000, which left a total cost of FFr 460,900.

When my wife and I returned to England we began to get cold feet, but our partners carried us on and we agreed to buy. The agent was persuaded to accept a deposit of just his fee rather than the 10 per cent of the total he had first sought. We transferred the money via Crédit Agricole in London on September 20 and we were committed to buy.

That the final *acte de vente* took so long was partly because it is a bureaucratic process involving regional and Paris land registers and the workings of the *notaire* – who acts for the state as tax collector, as land registrar and adjudicator, but not for us who paid him – and partly because it was convenient for us. And, fortunately for us, the pound had moved to 10.9 against the Franc. The Grosjeans face a further wait of some weeks before they see their money.

With the level of expenses at up to 20 per cent, this is not a game for a speculator. Prices are not likely to rise quickly, the region is economically depressed and most French weekenders do not care for this muddy corner. There is a lot of derelict property available for those that like that sort of thing.

But commercial interest might better be aimed at the breakup of larger *manoirs* into apartments for weekenders from south-east England prepared to regard the area as a bit of Kent beyond the Channel.

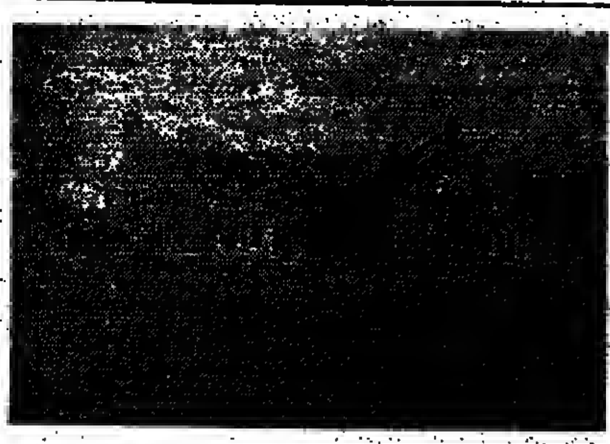
What we think we have bought is a bit of a country we like, a weekend house for ourselves and our children, kindly neighbours (our hamlet has three houses, the farmer, the widow and us), a spur to improve our poor French, a worry and a small adventure.

R.P. Clarke

PROPERTY

HAMPTONS

PRIME FORCE IN PROPERTY



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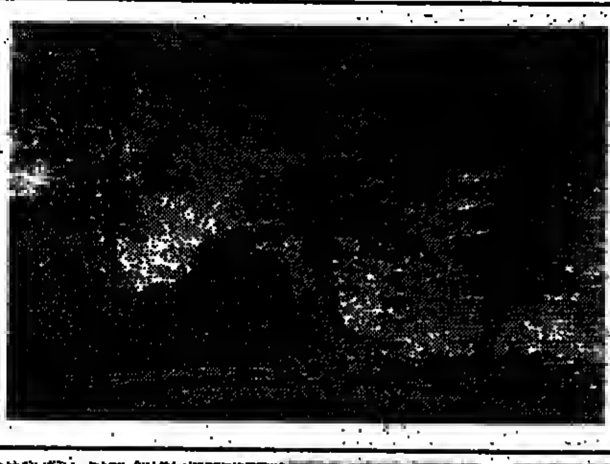

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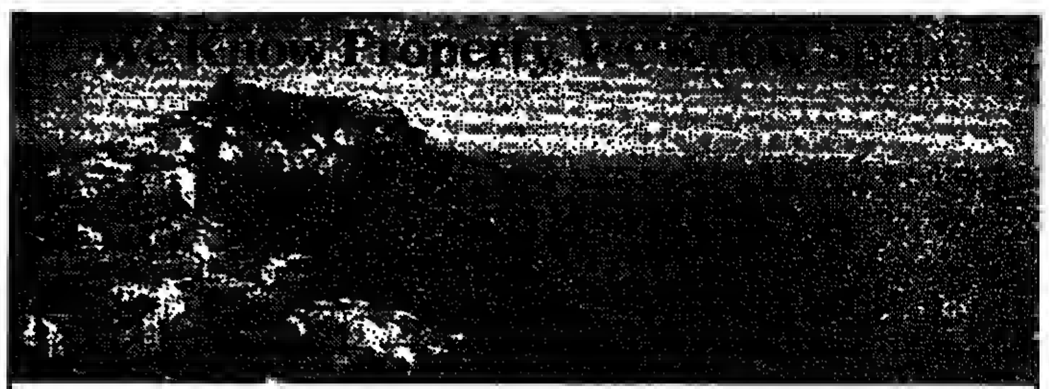

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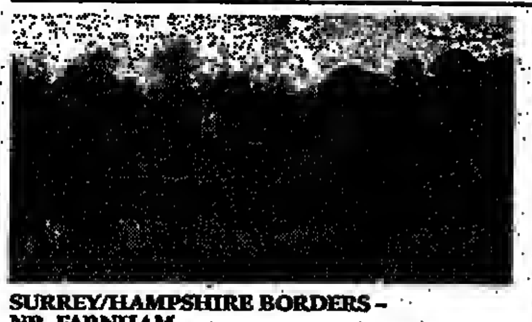

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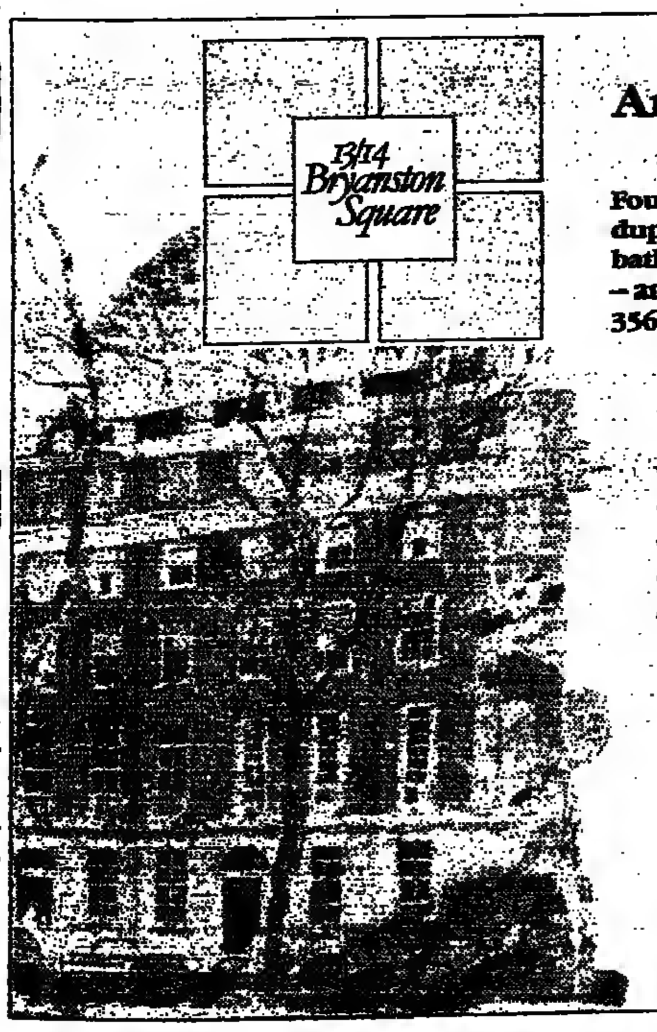
LONDON PROPERTY



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PROPERTY

A change of climate way out west

***John Brennan** explains how a permanent population shift is pushing up prices in a popular holiday area*

NO MATTER how enthusiastically Peter de Savary's sales team at Port Pendennis Harbour Village might argue the case for Falmouth's "idyllic sub-tropical year-round climate" (sic), the Meteorological Office begs to differ. Since Cornwall is hardly tropical, it might be regarded as "sub-tropical." But even with its sprinkling of palm trees, the genuine sub-tropics stop a fair few hundred miles south of Cornwall; around the latitude of Lisbon to be precise.

All of which is a matter of indifference to those whose passion for the West Country is broad enough to embrace poetic licence over the climate. What draws them into some of the most spectacular holiday traffic jams year after year are the gentle pleasures of the countryside, the certainty that the weather map will be a deal more benign than most of the rest of the country, and the fact that not all the clotted cream comes via a deep freeze.

In recent years, that tidal wave of visitors has acquired an undercurrent of people moving west permanently. Cornwall, Devon, Somerset and Dorset have always attracted more than their share of older incomers buying a sea or country view for their retirement. The west has also long attracted a similar influx of town exiles running cream-dispensing Ye Olde Tea Shoppes, a mass of antique emporia, and rarities such as hotels with genuine style, such as The Abbey in Penzance.

Add the artists and the occasional amateur recluse, those seeking the ideal spot to start the "Great Novel," and back-to-the-land smallholders to the exodus of locals in search of work elsewhere, and you had a more or less stable population.

That has all changed in the 1980s. Better roads helped, improved rail services had their effect. But it is the extension of the wealth corridor west from London that has caused the profound and probably permanent shift in the nature of the residential market in the West Country.

The wealthy have long tended to regard the west as the most fashionable segment of the social compass. London's most expensive residential areas are west of centre and, for those whose town lives rarely take them beyond a "W" postcode, the country life has had a natural westerly bias. A broader market has opened up as the economic axis of the country has shifted from a north-south industrial-commercial pattern to today's south-eastern concentration of newer high-tech and service industries. As the jobs have moved south and west, so a far wider range of buyers has been drawn, or pushed, west.

The business centres created along the M4 and M3 motorways have filled with companies re-locating from central London and growing into an area orientated better to the main international airports and with easier access to continental Europe. The office towers and landscaped industrial campuses of Reading, Swindon and Bristol have filled; and those who once regarded a corporate move to Basingstoke as tantamount to exile now feel positively suburban compared with their colleagues heading further down the line to Bournemouth and Poole in Dorset.

Commercial centres of the deep west, such as Taunton and Exeter, are no longer off the edge of the business map. According to Martin Lamb, of Jackson Stops & Staff's Exeter office, the effect of commercial re-rating on accommodation costs in and around London are being felt already as companies calculate the extra charges they will have to pay when the new business rates come into force in 1990, and as many more look west to escape.

'Commercial centres of the west are no longer off the edge of the business map'

The impact on the housing market of this westerly drift has been evident increasingly through the 1980s. The Halifax Building Society's house price index confirms that property values in the south-west have outpaced the level of price rises nationally since the early '80s, and by a sufficiently wide margin to reflect what has grown from a ripple to a neap tide of incomers from the south-east.

Regional average pay rises of less than 10 per cent, and average property price rises of over 48 per cent last year, imposed their own pressures. In the deep west, over half of Cornwall's home-buyers now come from outside the county, and a third of those are buying for second home use. That leaves locals who are not already on the housing ladder squeezed out of the market. The Association of District Councils' figures suggest that four in 10 of the working households in Dorset could not now afford to buy a first home, and that around 25 per cent of working households in Avon also have been priced out of their local market. It is a similar story from Wiltshire to the sea.

SOUTH WEST HOUSING AT A GLANCE.

	All housing	Percentage increase 1988
Average Prices	£73,715	48.3
New Homes	£82,348	45.4

(Source: Halifax House Price Index.)

Period Property	(% rise in 1988)
1) Village Cottage 3 bedrooms, half an acre of garden	
Below £100,000	
Cornwall	25
Devon	30
Around £200,000	
Somerset	20
Avon	10
Dorset	20
Wiltshire	30
2) Period Farmhouse 5/6 bedrooms with 5 acres.	
Around £200,000	
Cornwall	40
Around £300,000	
Devon	20
Dorset	25
Avon	40
Somerset	25
Between £400,000 to £500,000	
Wiltshire	30
Manor House, 7/8 bedrooms with 10/15 acres.	
Around £400,000	
Cornwall	35
Below £800,000	
Devon	30
Somerset	30
Avon	35
Dorset	35

(Source: Knight Frank & Rutley)

The prices of comparatively ordinary homes have risen quickly enough, but the really fierce competition, and the sharpest of the rises, have been reserved for mid- and upper-price range properties. The days when you could pick up a Devon manor house for £50,000, or even £100,000, have long gone. Not only are first-time incomers chasing anything where the cornices are intact, but the West Country also has its full quota of upwardly-trading home-owners. Incoming buyers in recent years who had to take what they could find in a sellers' market, and who retain earlier visions of life in a period property, may represent the toughest competition for prospective buyers from afar this year.

There are country houses and farms aplenty, but the bargains went half a dozen years ago or are reserved for family and friends. As the first wave of refurbishments has passed, a simplistic (but salutary) view of the properties coming on to the market would group them into the "immaculate," the "silo" and the "developer" categories.

"Immaculate" these days equals fully-priced. The "silo" group is those properties, mainly farmhouses, where sales agents' photographs avoid showing the tell-tale signs of actively-worked, generally ghastly agricultural buildings that, as likely as not, come complete with an evil-smelling slurry pit by the side entrance. The common practice of selling the house and a few paddock acres "away" from a working farm can leave an unneighbourly mix of residential and agri-industrial activity that would throw urban planners into several fits and which wastes countless trips by prospective purchasers.

The "developer" category extends from major estates with scope to sub-divide the house into apartments right down the scale of properties. The common denominator is development potential. Prime targets are those with old, and now surplus, agricultural stone barns. As county planners permit residential conversions to preserve the barns, sale prices reflect residential developers' valuations based on the scope to create a mini-housing estate from that barn space.

Those willing to accept that London West End prices now extend (albeit tempered by distance) to Land's End; that any apparent bargains reflect the property's drawbacks, not some village agent's ignorance of demand; and that there is an army of locally-based developers which can spot the potential in outbuildings and barns faster than you can say "planning gain," will have the measure of the market.

Whether Peter de Savary has the measure of the market will be shown by reaction to his 200-plus home housing project by Falmouth docks. A combination of deep scepticism and unreserved enthusiasm greets any mention of de Savary's activities in Cornwall. Fans and critics alike admire the energy shown in turning years of talk into action to regenerate Falmouth, but that is the only common ground.

This month, as the Port Pendennis Harbour Village sales office (0326-211211) gets into its stride, we will see if the Cornish waters and that nearly sub-tropical climate are attraction enough for buyers for a first phase of two-bedroom apartments set back from the waterline and selling at £109,000-plus – prices that equate to between £150 and a touch over £170 a square foot.

As the spring draws out the buyers, there is another test of Cornish values at Acton Castle, six miles along the coast from Penzance. Here, architect and builder Simon Chapman has transformed the Georgian rarity of a mock castle with spectacular sea views of St Michael's Mount into eight international-standard apartments. Half the scheme sold out well before completion, although £120,000 to £150,000-plus price tags caused a few raised eyebrows locally at first.

The renovation and interior reconstruction ignores the kind of country-basic, whitewash and asbestos slate re-roofing conversions still commonplace in Cornwall. The as yet untypically high standard of workmanship and care over the quality of materials used on Acton Castle sets it apart as much as its site. The main job of the joint agents, Stimsons of Truro (0892-74461) and Jackson Stops & Staff (0392-214-222) is to separate viewers expecting yet another Cornish country cottage cum-barn conversion from buyers looking for real quality.

In fact, if there is a discernible second wave of development/renovation work in the West Country as a whole, it is in the developers' recognition that the price war is and that buying decisions are being made increasingly on a basis of quality. Without any obvious bargains to tempt the buyers, the price rises of recent years have pushed property values to levels that justify the extra cost of doing a good job.

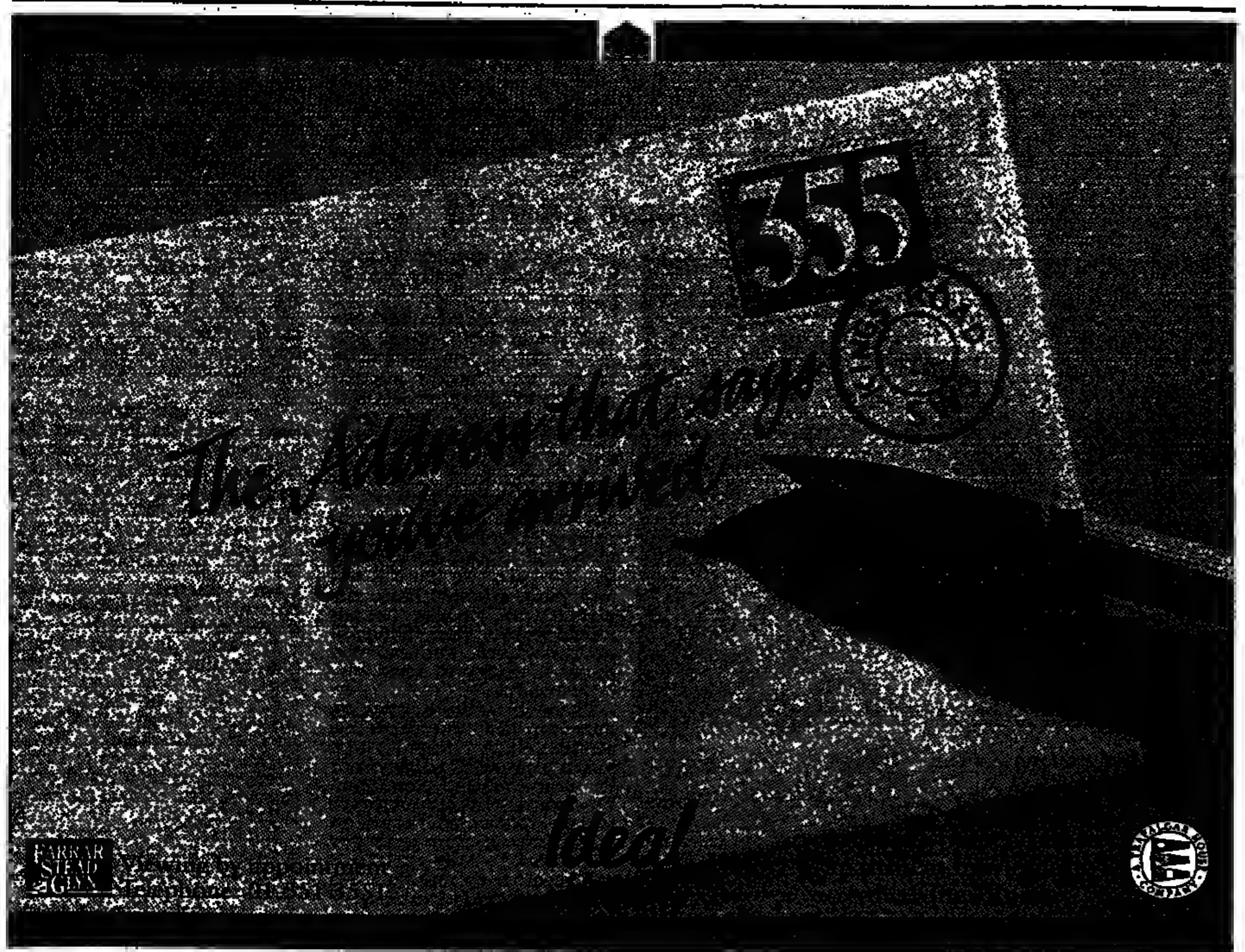
Property values in the south-west have outpaced price rises nationally in the '80s

That echoes the similar price-dictated change in the south-east, where the woodchip paper and emulsion conversions of the '70s have given way largely to comprehensive gutting and reconstruction jobs. Just as those rough conversions in and around London have been proving tough to resell in a thin market, so the poorer of the farm and barn schemes in the west are likely to be overtaken by rising standards.

Correction

BECAUSE OF computer problems, several figures in last week's property column were inaccurate. Madeira is 545 miles off the north African coast and the island is 35 miles long and 15 miles wide. The Reid's Gardens development site is 2.5 acres and details are available from Hamptons International (tel 01-493-8222). The Italian farm property suitable for renovation offers 125 acres, while the stone house is on a wooded hillside 15 minutes' drive from Ponte a Poppi and has 45 acres of woodland.

LONDON PROPERTY



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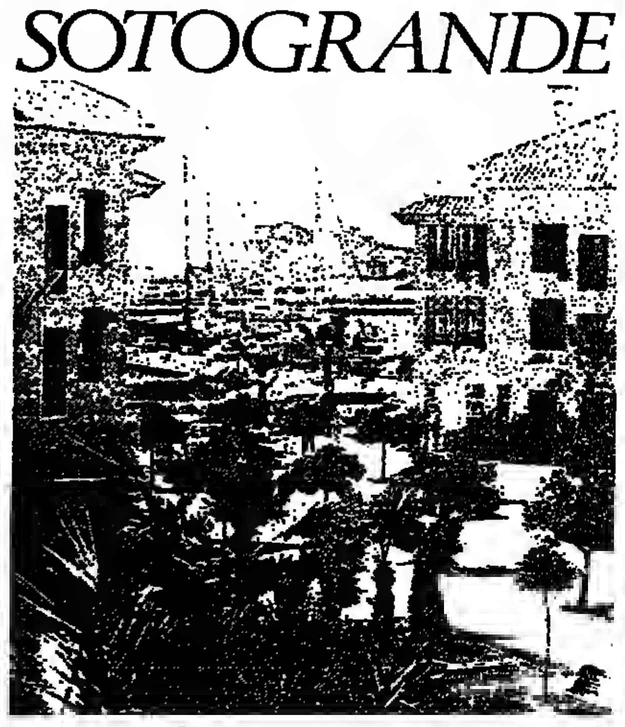

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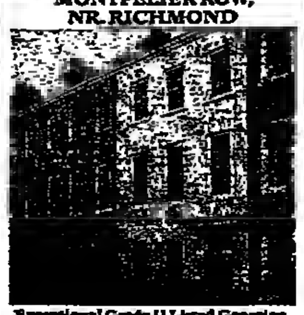

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TRAVEL

Key to Stavanger is a sardine can-opener

Roger Beard travels to Norway, half-way to the Arctic circle, and discovers pre-war England

THE SHUTTLE from Oslo to Stavanger stank of fish. After hours of being let down yet again by British Air, it was a welcome smell. At least it was fresh, and a change from the stale tobacco and old beer of Heathrow's Terminal One, or from the miraculously dreadful plastic meal that accompanied this writer's trip, several hours late.

But as in most air-travel nightmares, the landing made up for the cancellations and delays. Even in fading light, the approach to Stavanger Airport is spectacular. The mountains meet the marshland and water on the final descent to a very special landfall.

Once on the ground, this west Norwegian city lives up to its fishy promise. There is no posh airport bus, just a cheap local number stopping interminably at Friday-night halts to let the young on and off. Half way to the Arctic Circle, they behave much as they do in Slough or Southport — excited, nervous, correct.

That is the key to Stavanger. It has always been poor, never fashionable, but always correct. Even when the North Sea oil arrived, they did not trust the temporary prosperity that came with it. After all, the herring industry had collapsed in the 1880s, the sardine industry in the mid-1960s. Why would oil be any different?

It was, of course. But as critics will tell you, the boom was short-lived, and little of the money was reinvested. One unforeseen result is that street upon street of picturesque, white-painted timber houses left over from the great days of fishing has been preserved. The town council had the plans but, thank God, not the money to redevelop them.

They are still there, and the tourist is the winner. For me, at least, the old town is a visual knock-out. Nothing is what you expect. Look for deep fjords with vertical sides and you will find narrow harbours with virtually no tides, pushing their way right to the heart of the city, with a depth sufficient to accommodate the largest of ocean liners.

You trudge in the rain towards the cathedral, looking for some typically Scandinavian and forgettable clap-board contrivance, and you find stone-built, dog-toothed Norman glory straight from Canterbury, with a nave which owes as much to Beckett as Bergen.

The cathedral was started in 1125. From the outside, the scale of St Swithin's is deceptive — a large parish church complete with a modern clock on one of the two small Gothic extensions added after a disastrous fire a century later. Inside, away from the rain-soaked exterior, it is a different matter.

Both the grim Norman nave and the modern stained-glass window of the choir remind you immediately of England. Yet to your left in the transept is a pulpit of painted 17th century Continental excess. It is equally gaudy and rude — difficult to imagine some bleak pastor preaching here. The men and women in its carvings, caught for ever in their writhing, owe nothing to Protestant Sunday schools, while the altar-pieces in the side chapels are similarly extravagant.

Stavanger — where you must eat sardines and drink linie acquavit, a firewater with a long tradition

Founded on the whim of some half-forgotten king, for centuries the cathedral dominated the town which slowly grew at its feet. Today it is dwarfed by the post-oil buildings away from the harbour, on the heights above it. Most of these are shops and offices, but the oil has also given Stavanger a clutch of international hotels of the kind beloved by our transatlantic cousins.

The studied opulence, for instance, of the Atlantic Hotel, with its 360 rooms and 360 electric trouser presses, is as far as you can get from the cruel realities of North Sea oil or deep sea fishing that feature so starkly in Stavanger's history. It has also stamped an alternative culture on the town.

Traditional Stavanger is much like pre-war England. The shops close early and there is little open after Saturday lunch, while Sunday is as dead as a Lord's Day Observance Society convention. Not so at the Atlantic, which boasts not one but two night-clubs.

Both make you feel very old. There is one for the over-25s, a place of discreet liaisons and Sixties music, another for the young who queue well into the early hours of the Sabbath for their weekly dose of decibels. This is a town, after all, of 100,000 people before you count the visitors, and they eat, drink and dance much in the manner of the rest of us.

The drinking is the hardest part of it, at least on the pocket. A shot of locally-produced whisky costs £2.50. Even allowing for hotel room service prices, it is some economy which can sustain £15 a bottle for mediocre white Bordeaux. But drink they do, in moderation.

Any traveller should take advantage of their litre of duty-free and cigarette allowance before flying to Stavanger, unless they want an unpleasant surprise on arrival. There is little comfort to be had from the State monopoly off-licences, and wine with your meal can double the bill.

On the other hand there is one local product that you really must sample — linie aquavit. This 41.5 per cent fire water has a long tradition, in that it used to be matured in sherry casks while carried round the world as ballast in the holds of Norway's merchant fleet. The theory is that, as it slops about, it absorbs the flavour of the casks. Today, the tall ships have gone, but it still traverses the equator twice in a ship built specially for the purpose.

The same tall ships also carried the country's most precious export, its people — bound for America and the new world. So many left Stavanger's mile-long water front that the city houses the country's official emigration centre.

Until the 1960s, there was that other export, sardines — not the plump Mediterranean variety but brisling, smoked, oiled and canned by the million for export to the US and, to a lesser extent Britain. The picturesque wooden houses looked less picturesque then — multi-occupied and crowded round the city's 90 small canning factories.

There is even a canning museum that recreates an environment that until recently provided employment for over half the population. The industry has been rationalised and automated. They don't pack them at Stavanger any more, though they still label and export them, but the town still uses a sardine can-opener as its logo, so important was the industry. Did you know that they still have to be fanned into their tins by hand, like so many packs of cards?

The publicity people say that Stavanger's golden sardine can-opener is the key to the city's delights. These they have in abundance, from one of the best fish restaurants north of Paris to shops of a style which belies the city's image of an oil boom town. In truth, it represents a darker history.

As to the oil itself, where once you would have seen tall ships there are now leviathan platforms, vast concrete constructions awaiting their allocation of [illegible] prepared to risk all for Stavanger's latest bout of temporary prosperity. In the words of Alexander Kielland, this is an old city filled with new elements. The hotel rig named for him came from here, as did many of the men who died with it when it collapsed.

For the rest, perhaps their best monument has been the preservation not just of old Stavanger, but of the pre-fabricated canning town of the 1920s. They rightly judge history on a shorter scale up here. You get a favourable mortgage to move in and help restore them — these houses that were ordered from packing cases — and many do.

The result is a city of care and comfort, and a holiday centre for the discerning, always close to the sea and vast sandy beaches and never far from the mountains. Watch the harbour lights in the long Norwegian twilight, and even those oil rigs take on a certain beauty.

■ Details from Scanscape Holidays, 197 City Road, London, EC1V 1JN (Tel: 01-251-2500), which operates inclusive tours taking in Stavanger for around £440 a week, en suite and breakfast.

British Air and SAS have two flights daily from Heathrow and Gatwick respectively. Dan-Air flies from Manchester and Newcastle, while in Scotland there are regular flights from Aberdeen and Glasgow.

For further information contact the Stavanger Tourist Board, P.O. Box 11, N-4001, Stavanger.

Beware of elk when you picnic among the pines

THE LONE GB plate I saw on my drive south from Oslo along Norway's east coast looked singularly out of place. I wondered how it had strayed from the pack of Britons who stream towards those all-too-alluring western fjords. So magnetic is the fjords' appeal that most travellers have turned their backs on a coast — the eastern — that holds an equal if less imposing beauty.

Personally I have never felt as much at home among scenic grandeur as I do in more relaxing, cosier surroundings that offer a taste of hidden pleasures. Norway's south-eastern shore certainly provides those — along with many delightful (though not so spectacular) fjords.

In places, I was reminded of Scottish lochs; at others I found the quaintness of Cornish harbours. Yet what you see is essentially Norwegian in a traditional, unspoilt way, the chain of small or medium-sized towns being a classic example of what preservation is all about.

One of them, Risor, is all any Hollywood director would need to film an Ibsen drama: a study in white with its 19th century timber buildings arching hospitably around a boat-packed harbour. Like other towns nearby, much of its charm lies in the way it is built in harmony with the surrounding rocks and trees.

Yet the town has a lively atmosphere, a lovely small harbour, and an ancient open market. But you are more likely to hear the colourful town crier than funfair music. If you wish, he will show you around the town.

The residents are proud to be living in one of Norway's prettiest places. Risor is also one of the last havens of the timber boat-builder and traditional design. A good time to visit the town to see all this is the annual wooden boat festival. Good moorings in calm waters exist all around. The town lies on a peninsula surrounded by three fjords. Just off-shore is the chain of small islands that gives this coast such excellent protection. With their wild beauty these islands are popular for picnics and bathing in water surprisingly warm for so far north.

The nautical air encompasses most things here, including the resort's only sizeable hotel, the 70-bed Risor. Many guests arrive in yachts and park them outside. Landlubbers will find plenty of accommodation, although mostly in the shape of rented homes.

There are so many to let that they have become a problem for the town. Used mainly by Norwegians as summerhouses, they meant that Risor was fast becoming a ghost town in winter. Now the council has decreed that anyone buying a home has to live in it year round.

For anyone taking their car to Norway via one of the North Sea ferries, Risor would make an admirable touring base. Within a comfortable day's drive are several other appealing coastal towns like the nearby port of Arendal; the pretty holiday centre of Tvedestrand; Grimstad, where Ibsen lived; Lillestrand, with its old seafarers' houses, or picturesque Kragero. Several of these and other harbours are connected by a summertime excursion boat.

Inland, heading towards the mountains or along some of the marvellous valleys, you are quickly back to nature, yet not too far from water. There are lakes everywhere, some of them good for fishing although the Norwegians are quick to tell Britons that "our" acid rain is killing off the aquatic life, leaving lakes crystal clear but sterile.

It does not appear to have had any effect on the elks that lumber through the pine forests. They have another way of being killed off — jumping in front of 'on-coming' traffic. Those "Beware of Elk" signs are not just for their benefit; they can make a nasty mess of a car and its occupants.

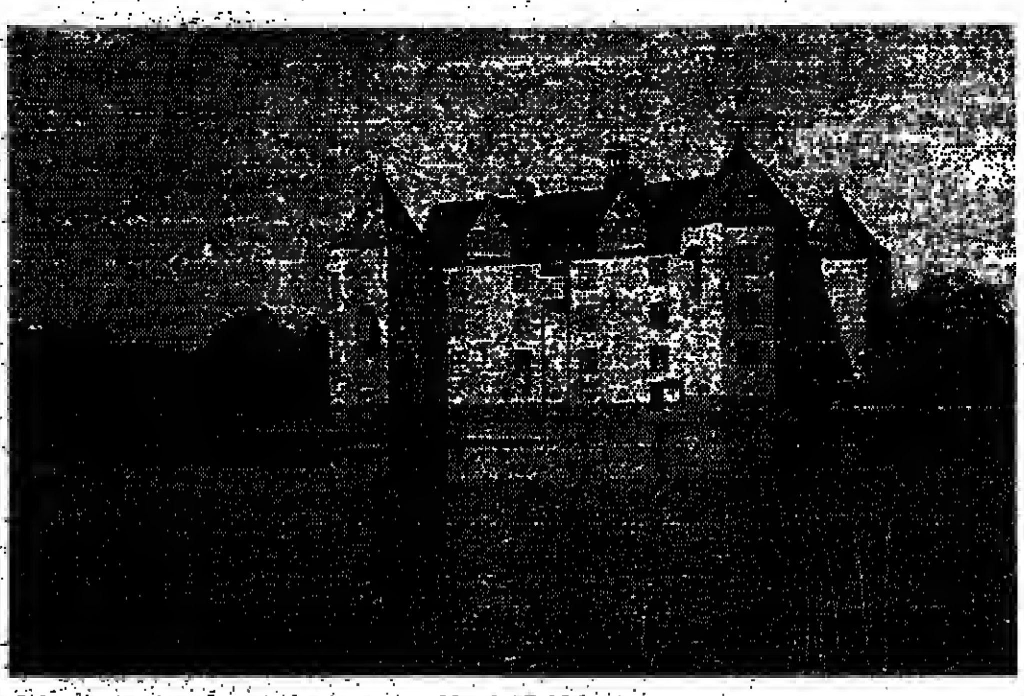
Norway has to rate as expensive compared with much of Europe. You find this most obviously when eating out and when drinking, although the country's tight liquor laws mean that you can only get spirits and not-so-weak beer at certain tourist hotels. A three-course meal can average about £18-£20 a head.

Hotels can be costly, but renting a house is reasonably good value. However, the owners prefer that you do so for a month or more.

■ Car ferries run between Harwich and Oslo via Hirtshal, Denmark, and between Newcastle and Stavanger/Bergen (summer only). An alternative for anyone wishing to sail closer to Norway's south-east coast is to switch ferries at Hirtshal and take another from there to Kristiansand. Details of these from travel agents or the Norwegian Tourist Office, 20 Pall Mall, London, SW1Y 5NE. Tel: 01-839-2650.

William Glenton

TRAVEL



Schleswig Holstein - yet to be discovered by the British

Nothing quite like it for cooling the blood

***Angela Wigglesworth** in Schleswig Holstein where the mud is thick and black*

IN ST PETER-ORDING the mud is thick and black and slapped on you straight from the sea shore. In Westerland, on the island of Sylt, it comes in muslin covers like tea bags. Both resorts are in the north German "kingdom" of Schleswig Holstein, just south of the Danish border. Thousands of Germans flock there for holidays and health spa treatments, but few British people seem to have discovered it. On the ferry going over to the tiny island of Hooge, the captain said he had only seen two in the last ten years.

It is a countryside of old, high-roofed farmhouses, tiny churches decorated bright blue and red inside, reed-thatched cottages, wild roses and a flat landscape stretching over the dykes as far as the eye can see. Three thousand seals swim off the coast, and millions of birds nest there.

Husum, with a tourist office anxious to keep the town true to itself, is a good centre. "We don't want to make a show just for tourists," said one official. "We want people to come and see us for what we are" – which is a delightful old town with cobbled streets, tall merchants houses, a fine 17th century town hall, a castle dating back to 1612, and a park where at the end of March the grass is bright with millions of blue crocuses.

Every Thursday there is a market in the main square with a blaze of colour that contradicts the poet Theodor Storm (the town's most famous son: famous, it seems, in every country except Britain), who rather gloomily describes Husum as "the grey town by the sea."

For many Germans the town means one thing and that is shrimps – shrimps with Teepunsch (tea with Kummel); with Pharisaer, the delicious black coffee with rum and thick whipped cream; with Ost Friesian tea (without milk). Shrimps, in fact, with everything – they are landed here at the town's busy harbour.

Away from the town, the flat roads are almost traffic-free, and with more than 800 miles of cycle ways it is great cycling country. Many of the haubarges (hay farm houses) are now open to the public, and about 10 miles south of Husum we stopped at the Roter Haubarg at Witzort and had coffee in the restaurant, formerly the main living room – the only one they could heat – with blue and white wall tiles, lace curtains and potted plants. Afterwards we saw the first of many tiny alcove beds (their shortness explained by the fact that you slept propped up), lovely hand-painted furniture and old farm implements in the high-raftered barn.

You can reach the Westerhever lighthouse by walking over grassy dyke land that merges imperceptibly across the mud flats with the Wadden Sea, where birds use the salt marshes as a nesting and resting place. It was June, but the wind blew cold over the misty grey landscape.

Disappointingly, you find when you reach the lighthouse that you cannot go inside, but 22-year-old Thorsten Derhedde, who was on duty here as an alternative to National Service, told us about the rare flowers growing in the short grass and the Arctic tern and avocet, red shanks and lapwings, oyster catchers and sandpipers that come here. By the entrance to the footpath leading back to the road you can buy wool, dyed in lovely colours and spun by the shepherd's wife.

St Peter-Ording, on the tip of the Eiderstedt peninsula, is a bustling town with a magnificent beach. You can stroll out along the boardwalk to an endlessly distant sea. The town is well-known for its spa facilities. The black mud, about a ton a day, is brought in from the mud flats and heated to around 40 to 50 degrees before being applied. But it's not all mud, mud. Steamy sea water is inhaled (excellent for asthma, apparently) and a large heated sea water swimming pool and saunas are on offer. A three-week course costs about £250.

The Die Seekiste restaurant here stands high on stilts so far out across the wide beach that there is a road for cars to drive there. On a clear day you can see Heligoland, which was British until 1890 when Queen Victoria swapped it for Zanzibar.

We watched solitary Lowry-like figures in the far-distant but still shallow sea, wading, and ate huge salmon steaks, barkartofel (delicious little cubed and roasted potatoes with chopped bacon and onions) followed by rote grutze, North Friesland's famous dessert of berries, currants and cherries in a wine-coloured sauce and cream. We tried the fiery Friesengeist – a peppermint liqueur with fruit and herbs. "An old Friesian family recipe," we were assured by the jolly mayor of St Peter-Ording at the next table.

Among the North Friesian islands are the Halligen, tiny flat isles where all the farmhouses and churches are built on artificial mounds, and marooned when the stormy seas surge in around them. Before 1634 there were 29 islands, 16 of them inhabited; today only 10 remain.

We went to Hooge, three miles long and with 123 inhabitants, about 75 minutes by boat from Schluttsiel on the mainland. In 1981 a hurricane swept in with water three times the height of a normal tide, and one terrified visitor had to be lifted off a rooftop by helicopter. The mental strain of having your house surrounded by sea, an islander told us, can be unbearable.

The way to travel round Hooge is by bicycle (there are hundreds on the quay side for hire – about £1.50 a day), or, as we did, in a horse-drawn covered wagon ambling along the flat road between grassy meadows. The 350-year-old thatched church has sand under the pews to absorb the water when it does come in, a bonus for children to play with during the Sunday service.

In the floor-to-ceiling tiled Konig's Pessel you can see the alcove bed where the King of Denmark once slept. It is a tiny room packed with treasures: French plates dated 1066, Japanese china bowls, lacquered chests and a 17th century Sam Hornchurch of London grandfather clock that has only been repaired three times. The black ceiling was decorated with designs in oxblood and plant extracts, the colours as fresh as when they were first put on 200 years ago.

The largest of the North Friesian islands is Sylt, which lies almost adjacent to Denmark and can be reached by plane, or by the train that goes along the five-mile-long causeway connecting it to the mainland. Westerland, its largest resort, has a splendid four-mile long beach, and three-mile promenade with a mussel-shaped concert hall and brightly-coloured basket chairs that are immensely comfortable and protect you from the wind. For over 100 years people have been coming herefor the spa facilities: a palatial new clinic was opened in 1981 with a whole range of treatments on offer.

Sylt's small villages are pretty and immaculate: Keitum with its beautiful thatched cottages; Kampen, where Thomas Mann lived and now very exclusive, and List, the most northerly, that offers "bathing freaks all and everything," according to one brochure.

The island is keen to protect its wild life and countryside by holding lectures and film shows to make guests sensitive to nature. "We are being confronted by the sins of all the EC countries who have access to the North Sea," said Sylt's director of tourism, "but we're doing our best to keep what we'va got or what is left of it."

Information: You can reach Schleswig Holstein by boat from Harwich to Hamburg, from Newcastle to Ejsberg in Denmark, or by plane to Hamburg. We stayed in the family-run Hinrichsen Hotel in Husum, and the more impersonal Hotel von Stephen in Westerland, overlooking the shops and cafes in the pedestrian precinct. More information from the German National Tourist Office, 612 Conduit Street, London W1.

Bond's Endeavour

IN 1988 Alan Bond's company gave, among other things, a fright to Tiny Rowland and – controversially – a six-figure sum to the then Queensland premier, Sir Joh Bjelke-Petersen. One other gift has so far attracted far less attention but has probably far greater long-term significance. Bond is building a full-size replica of Captain Cook's barque, Endeavour.

Construction of the 110 ft square-rigger is under way at Fremantle, Western Australia: an exquisitely-preserved Victorian town that hosted the 1987 America's Cup. Indeed, Endeavour is under construction on the waterfront site where the Bond syndicate campaigned its 12-metres. Superintendent shipwright Steve Ward build Australia II, the winged-keel aluminium yacht that gave Bond his historic Cup win in 1983.

"Fremantle has a history of wooden boats. A lot of the older shipwrights spent their early lives working in wood. Even Steve, who is only in his 30s, served his apprenticeship building in timber," said project spokesman Vern Reid.

The wood selected for the reconstruction is jarrah, a dark locally-grown hardwood that resembles mahogony. So hard is jarrah that during the 19th century many London streets were paved with it. Endeavour, a 360-ton North Sea collier prior to the Royal Navy purchasing her for Cook, was built of oak. Unfortunately, even if oak of the massive dimensions necessary were still available, it would need years of seasoning before use.

The keel and ribs are already in place, laminated from two-inch planks rather than hewn from solid sections. They rise inside the hangar-like construction shed like the brown bones of some beached whale. These departures from historical accuracy are necessities if the ship is ever to exist and function as a seaworthy vessel.

David White, until last year curator of the draughtroom at the National Maritime Museum in Greenwich, is the project's guarantee of veracity. White, the world's acknowledged authority on mid-18th century ships, has been appointed chief naval architect to the Endeavour. As he points out, only the roughest lines exist for Cook's vessel of discovery. She was built ad hoc in a commercial yard, not to a rigid formula as a Royal Navy ship would have been.

Nevertheless, this is the construction of a museum-standard replica, not the provision of a film-set special. Much of the budget is attributable to the demands of accuracy. A "lookalike" could have been built for far less but would have had no educational or scientific value.

Inherent in the programme is the involvement of both

Alan Bond (above) is building a replica of Captain Cook's barque

public and schools. The construction-shed is lined with aerial gangways that look down on the hull and there are guided tours of the adjoining sail-loft and blacksmith's forge. In a small theatre visitors are shown a brief video biography of the Yorkshire-born explorer whose voyages unlocked the southern hemisphere.

A facsimile page from the Endeavour's log is on display and changed daily. On the flagstaff outside are the signals flown that day, as enumerated in the log. Cook is presented as a hero whose modern equivalent would have been an astronaut on the Apollo moon programme.

Travel is both difficult and expensive across Australia's vast inland distances. For schoolchildren who will never get the chance to visit the Endeavour during the construction stage, plans and work packs are being sent out to schools. Craft and handiwork classes are sent design details so that they can fabricate and contribute small components.

In the sail loft chief sailmaker Peter Petroff has been plying needle and palm – made next door in the forge – on thousands of hand-sewn eyelets on the acres of canvas."It is awfully repetitive work," admitted Petroff. "Sometimes the only thing that keeps us going is the thought of sailing her."

Worming and parcelling, Turk's Head knotting and the construction of 600 rigging blocks from sheoak (an iron-hard Australian wood used for fence posts), are among the loft's other priorities. It is all carried out beneath the beady eye of Shakespeare, the ship's parrot who delights visiting schoolchildren by swearing profusely.

In fact, the canvas is a synthetic fabric named Duradon, identical in touch and feel to the original material but 20 times longer lasting. Similarly, the running and standing rigging is being created from a hemp facsimile derived from polypropylene. "Wa've been asked to do this to keep down the long term maintainance cost of the ship, which is intended to last many generations," explained Reid.

The request comes from the embryonic Australian National Maritime Museum in Sydney. The Endeavour will be its centrepiece and glory as well as a travelling exhibit which will make one major voyage each year to a destination around the country's bleak and dangerous coast.

"For the same reasons, the museum asked us to use stainless steel fastenings in the hull instead of wrought iron," added Reid. "This ship is as close as we can get."

A delivery crew is already training on the Bounty, a film replica built by Dino De Laurentis for his remake of Bligh's life. Launch date for the Endeavour is March 1990.

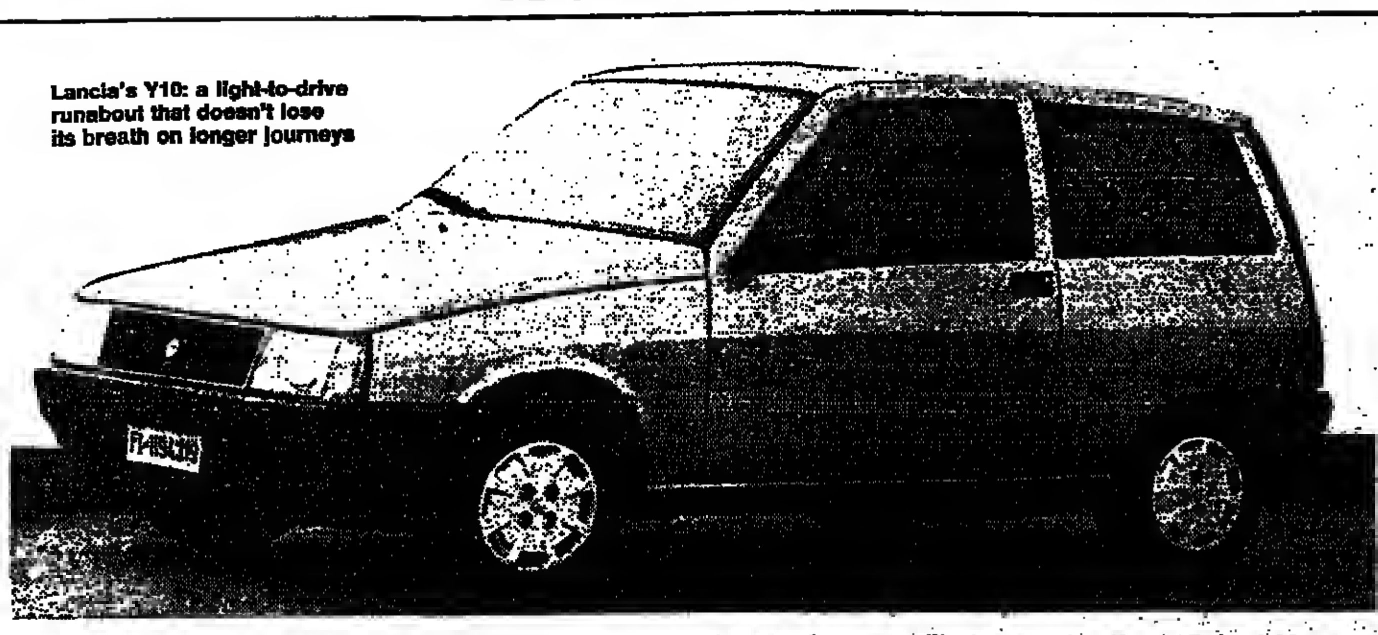
Another feature contribnting to safety and longevity bnt not available to the Endeavour's original master are diesel auxiliary engines. "We couldn't get any insurance at all without engines to get the ship out of trouble," confided Reid. And with a final flourish of Aussie bravado, added: "Anyway, Cook himself put it on the bricks a couple Of times and he was a pretty flash sailor."

Keith Wheatley

MOTORING

Little Lancia is just lovely

The Y10 is both economical and stylish, reports ***Stuart Marshall***



Lancia's Y10: a light-to-drive runabout that doesn't lose its breath on longer journeys

I HAVE ALWAYS reckoned that the Lancia Y10 could have been as big a success among the trendy young in Britain as tarted-up Minis were with their fathers and mothers in the Swinging Sixties. It had a lot going for it: small size, luxury equipment, distinctive looks, a shape that was just made for parking, and an up-market badge on the radiator grille. But it didn't take off.

Perhaps it took too much to get used to the chopped-off body shape. The short wheelbase did nothing for ride comfort (although it was much better than a Mini) and the poshest model had a turbocharger, which is the last thing you need when driving in city centres.

The Y10 has done well in Italy, though. Last year, 133,500 were sold there, which is close to the number of Ford Fiestas that were bought in Britain. Now it has had a facelift, four years after its Geneva show debut in 1985, its UK sales should perk up.

They deserve to, because it has a lot to offer buyers who want a stylish, economical, light-to-drive runabout that won't get out of breath if it has to make the occasional long journey.

There are four new Y10s, three with fuel-injected engines of 1.1 litres and 1.3 litres capacity (including a four-wheel drive), plus a one-litre base model with carburetter. The turbo has been dropped and will not be missed.

Outwardly, there are only detail changes but the interior is even nicer than before. There are new seats, tilt-adjustable steering and temperature-controlled ventilation that will re-circulate air so that you can be both cool and fume-free in a summer traffic jam. The rear suspension has been improved and the ride is much less turbulent.

I drove three of the new Y10s in Tuscany last week and I was enchanted. The beauty of Pisa Cathedral by night; the magical acoustics of the Baptistry; brilliant weather and a bottle of Brunello di Montalcino when the driving was over may have helped. But even on the most objective assessment, the Y10 is a charming, practical small car.

The GT i.e. (1.3 litres, multi-point fuel injection and 78 horsepower) was a sporty little goer on *autostrada* and country roads alike. Off-road, the 4WD, with a 50-horsepower engine, stormed up grassy hillsides and stony one-in-four tracks. My favourite, though, was the LX i.e.

Its 1.1-litre engine with single-point fuel injection delivered 57 horsepower smoothly at high revolutions and pulled flexibly lower down. Narrower tyres and more resilient suspension than the GT's made for effortlessly light steering, even when parking, and it rode more shock-absorbently on poor roads.

It had power-operated windows (including the vertically hinged rear ones which open a couple of inches to improve the airflow from the face-level vents), central locking, and the kind of instrumentation you expect in an executive car. At present, the transmission is a five-speed gearbox but a CVT (continuously variable transmission) automatic option will be offered later.

The new Y10 will reach Britain in May. The model mix is not known but is unlikely to include the 4WD. That leaves the basic one-litre with a carburetter, the LX i.e. and the GT i.e.

Prices? If my guess of between £6,000 and £7,000 is right, Lancia concessionaires could sell twice as many Y10s as the 1,056 registered here last year.

Peugeot's four under the floor

PERMANENT four-wheel drive, once confined to costly, high-performance cars, is spreading rapidly down to more affordable models and makes.

One of two 4x4 Peugeot 405s just announced is to be pitched at ordinary motorists who need extra traction because they live in areas with high snowfall or have to venture off hard roads now and again.

It has a 1.9-litre, 110-horsepower engine and will be offered in GL (that is, fairly ordinary) trim. The four-wheel drive system has centre and rear differentials that may be locked manually to maximise traction in really severe conditions.

The self-levelling rear suspension allows the body to be jacked up to increase ground clearance.

A more elaborate kind of four-wheel drive transmission will be fitted to a 4x4 version of the 160-horsepower Mi16 405. This has all-wheel drive to allow its potential performance to be exploited safely on wet, winding or hilly roads.

Front-wheel drive cars with a high power-to-weight ratio can become unruly when accelerating in low gear, especially on wet roads. The two tyres cannot handle the engine's torque (pulling power).

They spin and lose lateral grip, which makes the car's front end dodge about from side to side.

The 4x4 Peugeot 405 GL, which reaches Britain in May, is a rival for the £11,749 4x4 version of the new Vauxhall Cavalier. The Mi16 405, due here later in the year, will compete with cars like the Audi 90 quattro.

It also has self-levelling rear suspension and the transmission features both viscous coupling and TORSEN (torque sensing) differentials. They distribute the engine's power automatically to the wheels offering most grip.

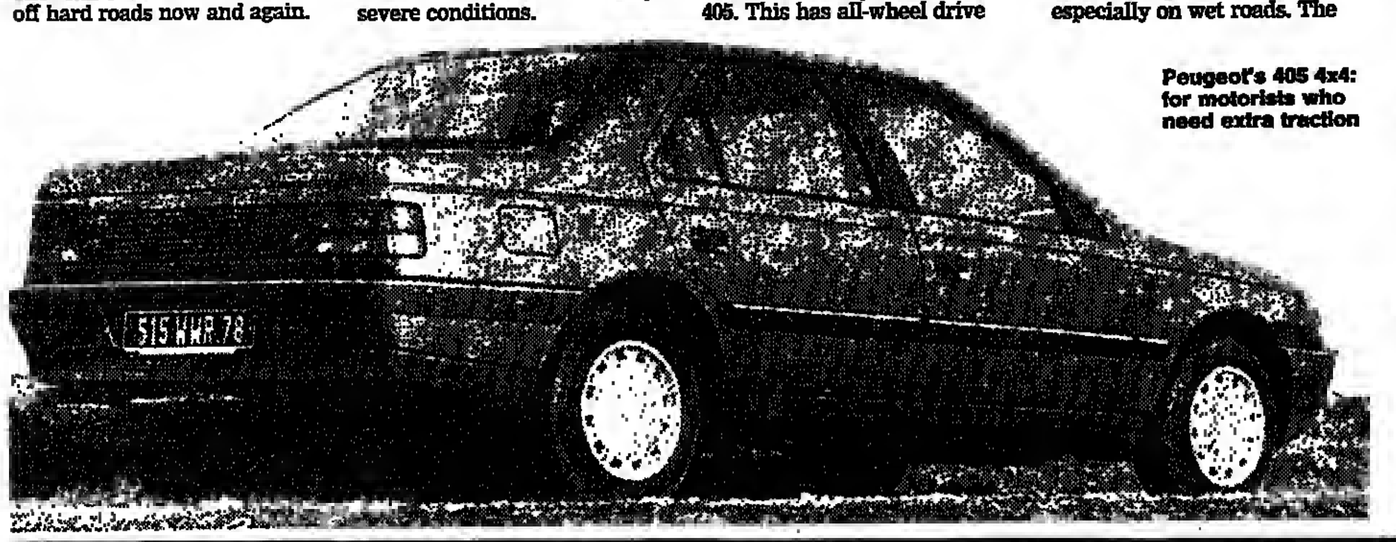
Last autumn, Citroen, the other half of the PSA Group, announced 4x4 versions of its BX hatchback and estates with 1.9-litre, 107-horsepower engines and a similar transmission to the Peugeot 405 GL 4x4. A 125-horsepower BX with four-wheel drive is due for announcement later in the year.

Citroen has not decided if the BX 4x4s will come to Britain. I think it would be a pity if they didn't. As Subaru proved 10 years ago, a lot of country motorists will buy a car that can carry bulky loads across fields or along muddy tracks that would defeat any two-wheel driven car.

They see no need to buy a thirsty, expensive and uncomfortable on-off road vehicle just because they need enough traction to drag them though mud once in a while. What they want is a normal, road-going estate car that finds extra grip when necessary.

What no manufacturer has yet provided is a moderately-priced, diesel-engined estate with some off-road capability. A diesel-engined BX 4x4 estate could be just what the farming and civil engineering community has been waiting for.

S. M.



Peugeot's 405 4x4: for motorists who need extra traction

Chess

WHAT EXCITES the interest of most players beyond the novice stage is the game's mixture of competitive challenge and sophisticated puzzle-solving. To win is uplifting, even after poor play and an opponent's blunder; while to win after reasonable strategy gives the feeling of mastery over difficult elements.

But chess also has a touch of scientific experiment when we try a novelty in the opening and, most prized of all, of creative flair when a sacrificial attack breaks through for mate or winning position.

Creativity at the imaginative heights of Tal or Kasparov can only be admired at a distance but, even at a lower range of skill, it is possible to learn sufficient tactical know-how.

Many mating attacks are based on stereotyped patterns, and books like Cafferty and Hooper's *Play for Mate* (Bell) or Livshitz's *Test Your Chess IQ* (Pergamon) contain model examples that can improve awareness of when to look for a decisive coup.

This week's game gave its winner a double pleasure. The opening is a fashionable and much debated line, while the double bishop sacrifice at the end is a rare feat, accomplished only a dozen or so times in master play since the classic won by Emanuel Lasker a century ago in 1889.

White: S. Kudrin (US).
Black: H. A. Machado (Brazil).

Petroff Defence (Salonika olympics 1988).

1 P-K4, P-K4; 2 N-KB3, N-KB3; 3 NxP, P-Q3; 4 N-KB3, NxP; 5 P-Q4, P-Q4; 6 B-Q3, B-Q3; 7 O-O, O-O; 8 P-B4, P-QB3; 9 N-B3, NxN; 10 PxN, B-KN5.

Until a few weeks earlier, 10 ... PxP; 11 BxP, B-KN5 was high fashion, planning a piece sacrifice to open up the white king. But Nigel Short's victory over Hubner at Tilburg 1988 was a total refutation: 12 Q-Q3, N-Q2; 13 N-N5, N-B3; 14 P-KR3, B-R4; 15 P-B4, P-KR3; 16 P-N4, PxN; 17 PxP, NxP; 18 PxN, Q-Q2; 19 PxB, Q-N5 ch; 20 K-B2, QR-K1; 21 R-KN1, Q-R5 ch; 22 K-N2, P-N4; 23 B-N3, P-QB4 (if R-K5; 24 Q-B3, B-R7; 25 B-Q2! when BxR; 26 RxB is two bishops for a rook while R-N5 ch; 26 QxR, QxQ ch; 27 KxB is rook and two bishops for a queen); 24 R-R1 and Black resigned due to Q-N5 ch; 25 K-B2, P-B5; 26 B-Q1! when he is a bishop down with little or no compensation.

11 PxP, PxP; 12 R-N1, N-Q2; 13 P-KR3, B-R4; 14 R-N5, N-B3; 15 P-B4, RxN; 16 QxB, PxP; 17 B-B2.

White's rook manoeuvre merits comment: most amateurs develop rooks only in a routine way, on the back rank behind the pawns at QB1, Q1 or K1 after castling. But opportunities for the queen's rook to advance up a half-open file to QR or QN 3, 4 or 5, then switching right for a king's side attack, are quite frequent and can create immediate threats. Here, Black's antennae should have told him that White's line-up of queen, rook and bishop pair against the underprotected king spelt early disaster, so that 17 ... Q-Q2! 18 P-QR4, KR-K1 is the best defence.

17 ... R-N1? 18 P-QR4, P-QR3; 19 B-N5, Q-B2.

In an earlier game (Belyavsky-Petursson, Reykjavik World Cup), Black saw what was coming and abandoned his queen by PxR; BxQ, KRxB when White won on material.

20 BxP ch! KxB; 21 Q-R5 ch, K-N1; 22 B-R6! B-R7 ch.

If PxB, 23 Q-N4 ch and 24 R-R5 mate, while if PxR; 23 Q-N5, P-N3; 24 Q-R6.

23 K-R1, Q-Q3; 24 BxP! KxB; 25 R-N5 ch, K-B3; 26 R-K1, Q-K4.

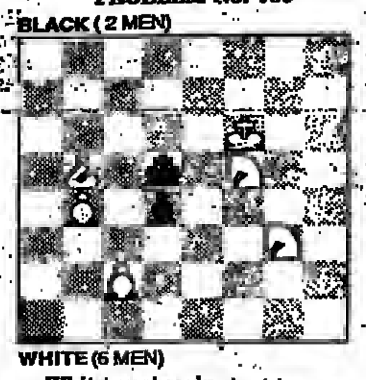
Or R-R1; 27 R-B5 ch.

27 RxQ ch, PxR; 28 R-N6 ch, K-K2; 29 R-N7 ch, Resigns.

Meanwhile, the top five grandmasters of England's olympic silver medal team, along with Cathy Forbes (British women champion) and the prodigies Michael Adams (17) and Mathew Sadler (14) are competing in the James Capel Speed Challenge, screened on Thames TV at 1.15 am on Fridays. If you are a real nightbird, or can video the programme, you can see some interesting play and a remarkable performance by young Adams.

PROBLEM No. 760

BLACK (2 MEN)



WHITE (6 MEN)

White mates in two moves against any defence (by R. T. Lewis, Cheltenham).

Solution Page XXV

Leonard Barden

BOOKS

Yes, but do you *like* Kipling?

***Malcolm Rutherford** on a fresh look at an English poet*

RUDYARD KIPLING
by Martin Seymour-Smith
Macdonald Queen Anne Press £16.95 373 pages

TO START with the case against Rudyard Kipling does not seem to have been a particularly nice man. He was an imperialist and a racist. If anything, he grew more unpleasant as he grew older. In 1925 he resigned from the Rhodes Trust — which administered the Rhodes scholarships — because he regarded someone appointed to it as a "liberal" and an "internationalist". He was — and this is the really snobbish part of the prosecution's case — "only a minor poet." He might have been a better writer if he had looked into himself, but he did not do so because "he was frightened of what he would find and the possibility that it might turn out to be nothing". Those last words come from Martin Seymour-Smith's new book.

Here is the case for the defence. Kipling was the ultimate professional. He probably added more phrases to the English language than any other writer in the past 100 years. When it came to rhyme and rhythm he left practically everyone else standing. Besides that the politics don't matter, nor does his personality. Anyway, in his best work, the humanity is far more apparent than the jingoism.

Yet there is a puzzle somewhere between the two cases. Kipling does not fit into any set pattern. He knew most of the great writers of his time — Henry James was especially close — and he had clearly read widely, not only in English literature. Maupassant was an influence. But Kipling did not write like anyone else; he was *sui generis*.

There have been lots of biographies. Seymour-Smith's book differs from its predecessors in that it claims to break new ground. The writer says that Kipling had a homosexual streak that may have been suppressed, but nevertheless was crucial to the man. This has been the subject of some advance publicity, though the thesis is not really crucial to the book and is largely based on conjecture. There are some very silly parentheses about what secret lusts and fantasies may have assailed Kipling when he was doing something else. Nothing is proven.

The oddity is why Seymour-Smith should think that his conjectures should come as a revelation. It has always seemed almost embarrassingly obvious in reading Kipling's verse that a homosexual leaning was there. It would have been impossible to write as he did about Gunga Din, war, stench and filth and the society of men without it. That is one of the reasons why so many young men have always felt drawn to Kipling.

Seymour-Smith's naivety in this comes out in another way. He writes that when he was at school he always wondered why the "East is East, and West is West, and never the twain shall meet" quotation was so notorious as an example of Kipling's extremism. But among readers it was not, for the text goes on: "But there is neither East nor West . . ." And the next line, with its "When two strong men stand face to face . . ." is full of incipient homosexuality. Elementary, one would have thought.

It is the power of the verse that I think Seymour-Smith runs away from. He keeps repeating, almost as an incantation, sometimes several pages in a row: "Kipling is a minor poet." Of course he was, but he was a very good minor poet and even if you take the poem "If", which intellectuals have held against him and has been kept out of most anthologies, you can hardly deny the professionalism of "Triumph and disaster, and treat those two impostors just the same." To be sure, it sounds like Polonius, but what could be more professional than that?

Seymour-Smith's book is much longer than its 373 pages suggest, for it packs an unusual number of words to the page. It is good on the short stories, which the author rates highly, and interesting on some obscure Kipling that I have not read. The acuteness of Seymour-Smith's literary criticism abounds. He could have written a very good book about Kipling, as in parts he has. The mistake was to try to review almost everything else that has been written about him at the same time. He should have stood back.

An example of his perception is his remark that Kipling's musical equivalent was Edward Elgar. An example of his extreme silliness is to tell a story (on page 160) about Winston Churchill having gone to bed with Ivor Novello, then to wonder about Mrs Thatcher — whom on another page he near-libels — having gone to bed with Meryl Streep or Arthur Scargill. Not only Kipling had fantasies.

Kipling at school: not a very nice chap, really

On a distant horizon

***Anthony Curtis** looks at life when happiness meant chatting to Cyril Connolly*

FRIENDS OF PROMISE: CYRIL CONNOLLY AND THE WORLD OF HORIZON
by Michael Shelden
Hamish Hamilton £15.95, 254 pages

AUDIENCES AT the Lyttelton Theatre, where Alan Bennett's two plays *Single Spies* are performed, watch the spectacle of Guy Burgess, holed up in his Moscow flat, eagerly quizzing the actress Coral Browne about life in London. One question he puts to her recurs with the force of an obsession: the enquiry,"How is Cyril Connolly?" Miss Browne confesses that, as she does not count Cyril Connolly among her acquaintances, she is unable to answer the question.

For the first and only time in the play Burgess is genuinely shocked as he suddenly realises that his visitor, though gifted and successful, lives in a world beyond the confines of the charmed circle.

A distant period, stretching to some 40 years ago, when for some lucky people happiness was the conversation of Connolly, is reconstructed with accuracy and ease hy the American academic Michael Shelden in *Friends of Promise: Cyril Connolly and the World of Horizon*. The fact that Shelden is American and and born as recently as 1951 can only have worked in his favour in the task he set himself.

It means that never having personally encountered the central figure in the tragi-comedy he unfolds, nor even been remotely in his orbit, where the shafts of malice and adoration were equally blinding, he has had to treat him, and the magazine he founded and edited, as a phase of English cultural history.

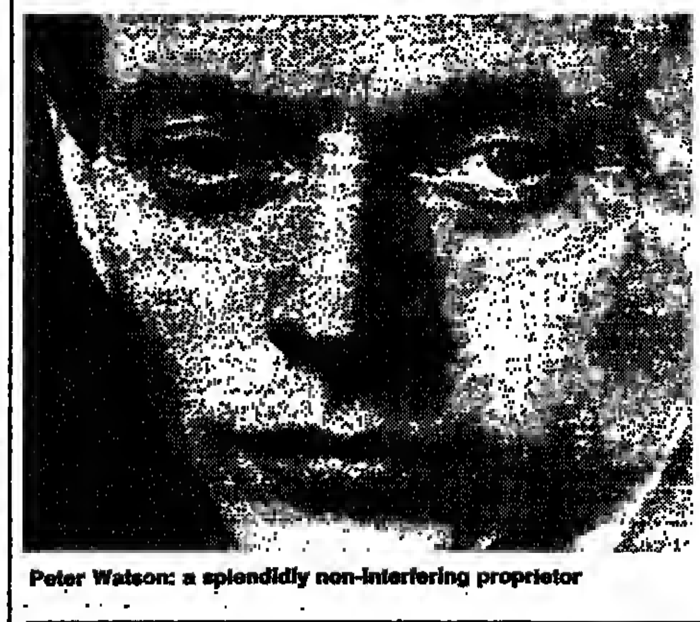
Shelden has of course talked extensively to the survivors, but he has treated their evidence witb edmirably sane detachment. He documents most of the essential fects through letters written at the time and quotations from the files of *Horizon*. The wboie thing may be seen in retrospect as the last glorions extravagant firework display of the aesthetic movement. Connolly's prose is much easier to read than Pater's, and delightfully witty, where Pater is portentously solemn, but they shared the same belief that art should take precedence over life, literature over living. This dedication to the hard gem-like flame, illuminating everything in its consolatory glow, served as the antidote to the darkness and sense of immnrement many people felt in the Britain of the Second World War. *Horizon* was the brightest of literary lights to shine in the black-out.

The first number appeared providentially in 1939. Virginia Woolf for one was not amused by its arrival. She had always disliked Connolly and his "cocktail criticism" as she called it. But the reading-public responded in droves. It was just what they had heen waiting for. Intended as a small exclusive journal with a circulation of 1,000 copies, it was eventually launched at 2,500; it sold out within days, and e reprint bad to be ordered. the sale soon rose to 7,000 and further expansion was only stopped by the exigencies of wartime paper-rationing. Service personnel and civilians alike found a life-line and a chat-line through its columns where the likes of Augustus John, W.H. Auden, Edith Sitwell, John Russell, Roy Harrod, George Orwell, Dylan Thomas were among the contribntors; and Francis Bacon and Lucian Freud among the artists whose work was reproduced. It set higb standards and stuck to them.

It was made financially possible by the subsidy of a millionaire art connoisseur Peter Watson who, like Connolly, had been educated et Eton, but slightly later. He paid the salaries and tbe printing bill. Administratively, it seems to have been made possible by a succession of wives, secretaries, mistresses, girlfriends of Connolly's. Shelden gives a full account of these ladies especially the ioog-suffering Lys and of the violent ups-and-downs of Connolly's private-life in the pre-Skelton period. The best known of the helpers who ran the magazine on her own for long periods after the wer, when Connolly wes abroad, was Sonia Brownell who sbrewdly married not Connolly hut Orwell.

It just survived the war but by then Connolly had become bored by it. Anyway the game was up. As he wrote in his final editorial Comment: "It is closing time in the gardens of the West and from now on an artist will be judged only by the resonance of his solitude or the quality of his despair."

Watson eppears to have been a eplendidly non-interfering proprietor content to let the editor have his head apart from the coverage of modern painting and, being gay, not competing with him sexually. Unfortunately Watson seems also to have had a genius for becoming hopelessly entangled and enamoured of truly lethal and loathsome young men. Indeed, it may well be that one of his consorts was responsible for his untimely death, though nothing was ever proved. On this sombre note, Mercade-like, Shelden's absorbing story ends.



Peter Watson: a splendidly non-interfering proprietor

The dream that died

THE GREAT DIVIDE: SECOND THOUGHTS ON THE AMERICAN DREAM
by Studs Terkel
Hamish Hamilton £15.95, 439 pages

DEAR OLD Studs. Nostalgic as ever, he still seems to be living in an age when the Communist Party of America thrived in the intellectual cells of New York and Chicago and *The Grapes of Wrath* demonstrated that, despite exploitative capitalist bosses, the hearts of the people beat pure and true.

Studs was 17 when the Crash of 1929 hit Wall Street. Five years later, he graduated from the University of Chicago with a Doctorate in Jurisprudence, and in the next 20 years became a jack-of-all-trades in radio. In the 1950s he turned briefly to television as Moderator of "Studs' Place," but in the turbulent Chicago of the 1960s he returned to his old love, the tape recorder.

His first "oral history," as he came to call his recordings of "ordinary people," was Division Street. Three years later, in 1970, he set out to capture people's memories of the Great Depression in Hard Times. Working in 1974 was followed 10 years later by an "oral history" of World War II. Now, in the last year of the 1980s, with Studs coming up to 77 in May, he's done it again.

The Great Divide's other title is "Second Thoughts on the American Dream" and the book is divided into 17 sections, including such topics as "Schooldays," "Family Circle," "Hired Hands," "God," "Neighbours" and "After School." It ends, significantly, with "Will the Circle be Unbroken," the epigraph of which is from The Good Soldier Schweik: "Everybody should try to do what he is not allowed to do, so that it can be done."

What he is not allowed to do in this case is to enter the "missile launch facilities" at Butler, Missouri. Joe Gump and his friend Joe Elmer christened crosses on the missiles, poured bottles of their blood on them, sang hymns, and awaited the result. The result was that they were sentenced to 8½ and 2½ years in prison. Earlier, Joe's wife Jean, Catholic and mother of 12, had received a sentence of eight years for a similar act.

A far cry from Molesworth and the Greenham women, you might say. Indeed, these harsh penalties on religious and altruistic people point up what a far cry American society in general is from British. Americans live in a harder, tougher world, light years away from the vague materialism of Britain — a world in which they vitally need their Bill of Rights and their Federal Regulations.

Despite the pretensions of "oral history" to be the authentic voice of the people, The Great Divide is a deeply biased book. Studs sets out, somewhat obviously, to show that there is a "chasm between the haves and the have-somewhats and the have-nots," frankly admitting that his purpose is "not to seek out facts in the lives of contemporary Americans," but to project "a vision of what still could be." To this end he quotes a statement by James Cameron that "objectivity is of less importance than truth."

Typical of Studs's latter-day heroes is a Lutheran pastor named Douglas Roth, who was concerned at the ruthlessness with which the Mellon Bank in Pennsylvania had foreclosed on local firms while lending millions to the Japanese. Roth sent a hundred workers into Mellon Bank branches, each with instructions to ask for ten dollars' worth of pennies. They were then to count them on the spot, dropping as many as possible on the floor, so disrupting business. The Mellon Bank complained to Pastor Roth's church and the result was that he was unfrocked.

Apart from pastors, we hear from yuppies, fundamentalists, old time liberals, protesters from the 1960s who have become stockbrokers, a police chief whose wife is jailed for demonstrating and schoolboys who start investment groups. In the young there is no awareness of history; in the middle-aged there is bewilderment at the present. A business woman in Chicago says, "It's like another world moved into our system."

That's just it. The "people" seem to be more interested in resisting change than in embracing the causes with which Studs would like to change the face of America. In fact, the thread which runs through these 96 interviews is very clear. The people are afraid. They are afraid of what happened in 1965 when the confident, war-winning, Camelot-crowned America of the '40s, '50s and early '60s changed into Vietnam-crucified, protesting, draft-dodging America of the Johnson and Nixon years. This is the true divide in the current American scene, cutting across class and economic boundaries: the divide between America the beautiful and America the corrupt, donbt-ridden, money-grubbing scourge of an ever more influential Third World.

This is why so many Americans, whatever their politics, voted for Reagan. They knew in their hearts that his vision of America was only a paper dream, as phoney as it could be, but the fact was that it wouldn't be make-believe if they believed in him. And so they did.

Dear old Studs. It's not so much that he's missed the point, because he sees very clearly that the American people need once again the sense of idealism which, despite terrible conditions, ran through the Depression years. It's that in harking back constantly to his favourite period he is obscuring the issue.

The key now lies in leadership. The American presidency is unique in the world. The American President is King, Prime Minister and Father of his People rolled into one. Such is the magic of the office that its mantle can convert the veriest frog into a prince, given the right conditions, that is.

It is too often forgotten — or perhaps not even known — by non-Americans that the familiar face of American capitalism has another side. That side is a rather naive idealism, unparalleled in the world. John Kennedy was able to tap it; another still might.

Geoffrey Moore

When radio made waves

THE THIRD PROGRAMME: A LITERARY HISTORY
by Kate Whitehead
Oxford £25.00, 260 pages

THE NAME "Third Programme," used as often in mockery as in praise, passed into our language to describe any kind of culture reckoned above the level of the ordinary man. At the same time, the radio programme found admiration not only in the UK but in Europe and the US, and although it was killed in 1970, the name persists.

Kate Whitehead, a BBC producer, has traced its history from before its launch as the conscientious third option to the Light or the Home in 1946 to its absorption into Radio Three in 1970. True, she only covers half of it, for she is not concerned with music, whereas the Third Programme, once it had settled down, was divided evenly between music and the spoken word.

It was the spoken word that caused most dispute, for music, even Schoenberg or Bartok, is music, but talk is talk that everyone can understand (or not). It seems hard to recall today that the first week's programmes included Shaw's *Man and Superman*, lasting three hours, Sartre's *Huis Clos*, still banned from the stage, and Milton's *Comus*, besides poetry read in French and talks on the kind of subjects covered in the literary weeklies.

Ms Whitehead begins with a useful account of how a programme controller would assemble his contents, by shopping for them at the relevant department: Drama, Features, Talks and so on.

In the event, many drama programmes came from Features, as Val Gielgud, Head of Drama, was more concerned with existing plays than new work, while Laurence Gilliam of Features liked the novelties. "The vultures on the cookhouse nest," Roy Campbell wrote, "like poets on the BBC," and Features was full of producer-poets (including Roy Campbell). This is where the good original work came from.

The writing, well researched and leaning heavily on the BBC files, is historical rather than critical. Chapters are devoted to features, plays, poetry, short stories, and that interesting phenomenon, *New Soundings*, which John Lehmann edited like his *New Writing* — a kind of Third Programme within the Third Programme.

But then we have to face adversities, and there were plenty even in the BBC. (John Reith was quoted in the Beveridge Report in 1951: "The Third Programme . . . is a waste of a precious wavelength.")

In spite of the Third Programme, which involved such names as Arthur Bliss, T.S. Eliot, Bertrand Russell and Ralph Vaughan Williams, the broadcasting hours were sharply reduced in 1957. The Music Programme, which began on Sundays and promised more, was introduced in 1964, but music was only half the Third Programme. And that was the year when the White Paper was published that led to Radios 1, 2, 3 and 4. In 1970 the Third Programme was absorbed in Radio 3. It's not the same.

B.A Young

Fiction

A case of sugar and spite

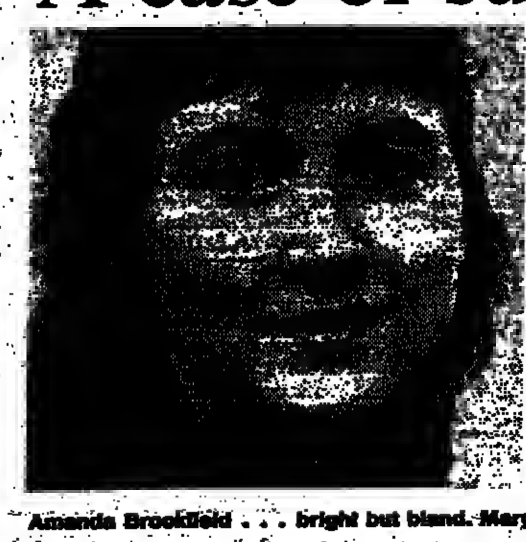
CAT'S EYE
by Margaret Atwood
Bloomsbury £12.95, 421 pages

THE STORY OF MY WIFE
by Milan Fust, translated by Ivan Sanders
Jonathan Cape £11.95, 336 pages

BLOOD OF MY BONE
by Simon Raven
Muller £11.95, 197 pages

A FRIEND OF DON JUAN: SHORT STORIES
by Val Mulkerns
John Murray £10.95, 217 pages

ALICE ALONE
by Amanda Brookfield
Weidenfeld and Nicolson £10.95, 217 pages



Amanda Brookfield . . . bright but bland. Margaret Atwood . . . sly twists with a feminist edge

AS AT least half the world remembers, when they are bad, little girls are horrid. Bullied at school in post-war Toronto, Elaine Risley discovers this early on in *Cat's Eye* and decides that she prefers men.

When she grows up, as in the best fairy stories, she gets revenge. She becomes a professional artist and paints hideously distorted pictures of women, in particular of a middle-aged woman called Mrs Smeath, the evangelical mother ("It's God's punishment") of one of her young tormentors.

A sly little twist to Margaret Atwood's tale, named after a popular marble, has the new generation of 1960s feminists, not knowing a bad thing when they see one, lap up the Mrs Smeaths ("it's woman as anti-cheesecake") and turn Elaine, who still prefers men, into a reluctant doyenne of the feminist avant-garde.

Wry, witty, superficially elegant, *Cat's Eye* has all the makings of a well-groomed novella. Sadly, it's a fully-grown thick square book, padded out with a wearisome list of favourite things from a Canadian childhood and swathed in a heavy symbolism that threatens at any moment to suffocate it. The painter's eye, the evil eye, an eye for an eye, the winking cat's eye which mirrors Elaine's later glint of icy objectivity. . . One cannot help sympathising with the woman at Elaine's retrospective who asks: "But what are all those eyes doing in it?"

Milan Fust's theme is the distorting lens of the imagination, the way men cannot help perceiving women, the pain of first love in middle-age.

An unemployed Jewish Hungarian schoolmaster, from 1935 to 1942, Fust disregarded the threatening world outside and wrote a dreamy, intoxicating romance, *The Story Of My Wife*, about a husband's obsession. Appropriately enough, the result, translated into English for the first time here, is a masterpiece in the literature of self-delusion.

Captain Storr, a Dutch seaman, falls in love and marries at 40, only to find that he has left it too late to start seeing the world through another pair of eyes. He channels his new feelings inward, into mistrust and suspicion, and his urgent, engrossed narrative invites us to consider the question which for him has come to block out all others: is his young wife, Lizzy, being unfaithful?

Tenderly drawn, the paraphernalia of everyday life — Lizzy's shopping sprees and choice of books, her writing paper, her party dresses — become, as they have done for paranoid lovers from Othello to Humbert Humbert, a minefield of clnes. Romantic in the old-fashioned sense, conveying hope and despair in the same breath, Fust skims along this hazardous terrain with great lyricism and a craftily simple, dawdling charm.

In the interests of another form of high-profile artifice, Simon Raven continues to churn out his series of robust farces in the *First Born Of Egypt* saga. *Blood Of My Bone* is number five, and aficionados will be relieved to hear that the groves of Academe are as liberally strewn with intrigue and scandal as usual.

In Raven's hell-hole of a world, murder and corruption are the mildly sinful pleasures of the upper-classes, too much of a bore to recall, really, and surely no cause for guilt. Why the old chums Lady Canteloupe, her under-age impregnator Marius, gap-toothed Jenny and the rest, don't trip up on their own rhetorical intricacies I don't know, but not even those two old certainties, death and the law, can interrupt their stately progress in and out of one another's beds. Raven chimes in with classical learning, outrageous jokes and never a sense of strain.

As the title, *A Friend Of Don Juan*, might suggest, the Irish writer, Val Mulkerns, has a peculiar knack of taking the side-long view, the oblique perspective, and to great effect. Sometimes, the accomplished short stories illuminate by jolting people out of context — a young biker strapped into his hospital bed in "The Honda Ward," for example, sometimes the spotlight falls unpredictably, on a modern Irish Leporello, on a husband consoling his wife over her lover's broken promises.

Like the husband, Ms Mulkerns is maybe a bit too benign for her own good. She teases rather than dazzles, but her colourful focus on the ordinary dramas of domestic life make this an unusually rich collection.

Alice Alone is a bright, neat but ultimately bland first novel about a middle-aged woman who suffers something of an existential crisis when the last of her children leave home. In time-honoured fashion, she changes her hair-do and then changes her existence.

I'm not sure that many 50-year-old barristers' wives get mistaken for tarts at Green Park Tube station, and I'm quite sure that very few of them would proceed to revel in their new-found profession. Still, entertainment is the name of the game, and Amanda Brookfield's novel is engagingly ebullient if not remotely plausible.

Jackie Wullschlager

Gardening

Seeking the good seed

***Robin Lane Fox** goes searching for lists that open the door to a more challenging world*

LIKE ME, you want your garden to be slightly different: you are happy to leave certain well-loved favourites to other people's gardens or to public gardens you can visit nearby: you want a framework of proven favourites, but you also want some particular themes with which you feel a close relationship; and you do not want to spend much money, certainly not as much as other people down the road. All this being so, you need some proper seed catalogues; not the sort of multi-coloured invitations to sow pansies but invitations in plain black and white to a wider and more challenging world.

Is that world shrinking? If you compare a Thompson and Morgan catalogue of the 1960s with one of the 1980s, you may well feel that your choice is being narrowed yearly. Not that these seedsmen at London Road, Ipswich, have withdrawn from unusual varieties or worthwhile novelties (there are plenty in their new colour catalogue) but they have dropped hundreds of varieties because the demand was small and intermittent.

Fifteen years ago, we would all have been moaning and predicting a horticultural Dark Age. The moans would have been mistaken. Smaller, new businesses sprang up to fill the gap for thinking gardeners. It is not just the mild winter; keen gardeners who shop around have never had it so good.

The most challenging seed lists are issued by specialist societies to their members. That of the Alpine Garden Society is still the tops for people with time and a sense of adventure because it is based on collections world-wide, often from the wild. You can join the society through the secretary at Lye End Link, St John's, Woking, when you will qualify for the 1990 list.

This is the cheap way to connect with the fruits of foreign expeditions, foreign botanic gardens, and the summer holidays of enthusiasts who have padded the Dolomites in climbing boots. I swear by this list and still live with forms of the American cowslip (dodecatheon) and a red, primula-flowered cortusa which came from my first year's subscription.

The scheme is suited particularly to FT readers as it includes a ballot for some of the new issues. Fill in your application form as usual; remember that multiple applications are rejected firmly, as always – and console yourself that the result depends almost entirely on luck.

Among the commercial lists, the most exciting is Chiltern Seeds, Bortree Stile, Ulvaston, Cumbria. It is a pleasure to watch its progress. In 14 years, the list has grown like a crop of foxgloves: this year it has 350 new entries, an addendum of another 15 pages, and a further Stop Press to the addendum. You can ring (0229-581-137) and order by credit card or just ask for a catalogue.

Perhaps you think that weekend newspapers are becoming extremely bossy. They tell us all to eat this, order that, go here, shop there, until the entire weekend is gone. So why harass you with yet another idea for spending time? One reason is that Chiltern Seeds can save you a fortune if you are patient.

You, too, can grow enough evergreen wall germander (teucrium chamaedrys) as a low edging-plant (68p a packet; £1.70 per individual plant if available). You can also grow the native spiked speedwell (veronica Spicata) which a very sharp-eyed botanist commended to me recently as a blue-flowered winner for the front of every flower-bed. It costs 58p a packet and plants are not available in major nursery lists.

Alternatively, you can fantasise. Dreamers and wishful thinkers probably are the shrewdest weekenders and they need to be encouraged, not given the address of the nearest exercise centre or Himalayan trek.

Seed catalogues are such books of bedtime fantasy, the gardener's Georgette Heyer. Chiltern Seeds has the right balance between unfamiliarity, brief descriptions and inexhaustible choice.

Before or after bedtime, might I recommend its white-flowered, white-leaved verbascum Chaixii Album (75p and fool-proof), verbena Bonariensis (68p: the saviour of late summer borders) and the huge centaurea Macrocephala with yellow heads (up to 5ft; dropped by the big nurseries, but a cinch from seed at 65p)?

If these ideas sound too specific, let your imagination wander over 40 different types of campanula (note the trachelium album at 60p) and eight species of passion flower (including the banana-fruited mollissima which I recommended as a gamble last week: 92p). There is plenty for people who own conservatories or who prefer to avoid the drips and green mould and keep them in their dreams. I recommend the daturas, not just because one of them would put you to sleep for good if you ate its fruits.

On a longer view, there are the seeds of shrubs and trees. Without forcing dreams in actions, may I simply say that some of them germinate much more easily than you would imagine? You could raise a good crop of yellow-flowered Nepal laburnum (piptanthus) and have it in flower on a north wall before we all start being pestered to celebrate 1992. The waxy green leaves of pittosporum germinate very easily; so, of course, do the eucalyptus, foliage plants for a season or two as half-hardy filling.

Chiltern Seeds lists 74 types of eucalyptus, a virtuoso entry that would make any Australian feel less homesick. It is good to read of seed from eleagnus umbelatus, a wonderfully sweet-scented shrub which also germinates well and is so good that nursery catalogues have dropped it out of sight.

If you act on your dreams, you will be sent a leaflet telling you how to sow the varieties you have ordered. Not everything needs patience, or even skill, and if you want to experiment or merely dream, these lists are the inspiration you need.

This crazy season

OUT-OF-SEASON offerings have been pouring in from readers' gardens. My thanks for the extraordinary stories and my apologies if some of the flowers, leaves and buds sent in for identification have not been acknowledged or solved because they have arrived mangled through the post.

For the record book, readers of this paper have reported:

■ The dark-red clematis Niobe in full flower for the past three weeks, facing north (near Chippenham, Wiltshire).

■ Cistus Rosemary Myrtle, pittosporum and an amazing convolvulus cneorum ("really bonkers," says its owner, as it flowers every winter) – all out on Christmas Day (in north Wales, near the sea).

■ A strawberry plant in flower on January 2 (in south-west Wiltshire).

■ Two delphinium spikes, 3 ft high, flowering beside the early spring crocus (in Langport, Somerset).

In addition, alpine strawberries are flowering and showing unripe fruit; rose Souvenir de la Malmaison and clematis Ville de Lyon are in flower near Dorchester, Dorset; and a horse chestnut (or part of it) is in full leaf near Buckingham.

To take the story further north, the white daisy-flowered anthemis Cupaniana has been flowering continuously near Lancaster, where a farming friend told our lady reader on the way to the postbox that he had just found a mushroom growing happily under a wall in mid-January. It might be history, but it is crazy.

Peat compost takes skill

PEAT COMPOSTS look so much alike that it is easy to believe there is no difference between them. This is wrong, as is shown by a revealing trial carried out by the Consumers' Association and reported in the February issue of *Gardening Which?* Some 13 well-known brands of peat multigrade composts were tried on hungry tomatoes, fussy scarlet salvias and mineral-sensitive geraniums, and the marks they received ranged all the way from a minimal one to a maximum five. Some of the producers have since announced they are changing their formulations.

I am surprised by the degree of difference reported, and the verdict that with the three worst samples the purchaser would not have had a reasonable chance of growing good geraniums, tomatoes or salvias. But I am not in the least surprised that there was a difference, since I have experienced this even with my own home-made compost.

Why it occurs is a little more difficult to decide, but it is certainly connected with the choice of the peat itself. The average size of the particles varies after the peat has been milled, and so does the choice and amount of added chemicals.

It takes skill and experience to make a good peat compost. For years I have made my own, with medium-milled sphagnum moss peat as a foundation, sometimes with the addition of sand or perlite to give it better porosity and make it easier to absorb water even when it has got dry, and always with some fertiliser. For this, I have used various things, including Vitax Q4, Phostrogen and the Chempak seed and potting compost base fertilisers. The Chempak formulations include lime but the others do not and that probably accounts for some of the differences.

None of these behaved so badly that I decided I must never do that again; and home-made composts are so much cheaper than proprietary ones that I continue to use them for growing on plants that will, after a few months, be planted outdoors. But for germinating difficult seeds and for plants that are to spend their whole lives in containers, I have returned to Levington compost, mainly because it is available readily and I know from past experience that it is reliable. Its maker, Fisons, was among the pioneers in the development of peat composts and has spent a great deal of money and time experimenting. Levington Multi-purpose was one of the four top performers in the Consumers' Association trial although the other three, Asda, B & Q and Homebase, seem to have beaten it on price.

It used to be considered essential to have at least two different composts, one low in nutrients for germinating seeds and growing-on small seedlings of all except very hungry plants, the other much richer in nutrients for the older plants. It used also to be said that too much fertiliser in a seed compost would inhibit the germination of seeds. The original John Innes instructions for soil-based compost actually provided for four different levels of nutrients, one in the seed compost and three more in the potting compost, to be used according to the character and age of the plants to be grown. That was before the introduction of various "coated" fertilisers, which become available only as their waterproof coatings decay and so liberate the chemicals.

In general, it is possible to put more fertiliser at one time into a soil-based compost than into one containing no soil because of the greater ion-bonding that soil offers. To some extent, it is possible to get round this by using coated fertilisers but, in practice, peat composts do usually run out of nutrients rather quickly and plants growing in multi-purpose composts are likely to require some extra feeding after six weeks of growth. If the plants are dormant, no extra food will be required. How much extra food should be given, and how often it should be repeated, depends entirely on which fertiliser is being used, since some are available almost instantly as food for the plants and others take longer. The label instructions should be followed.

I am fairly sure that the few disappointments I have had with home-made compost was due to making too much at one time and having to keep it too long as a result.

Arthur Hellyer

Love in a cooler climate

***Christian Tyler** on a community where Valentines come seeond*

SOME MARRIAGES are made in heaven and some are made in Southall, a western outpost of London noted for its high proportion of immigrants from the Indian sub-continent.

Just up the road from the railway station, among the fish bars, motor accessory shops and cash-and-carry stores is "Glentborne," a red-brick semi-detached like thousands of others in London's outer suburbs. There is a Mercedes parked outside.

These are the consulting rooms of Ramesb Bhargava and his wife, Suman. Hundreds of wedding photographs plaster the walls; in many of them can he seen the cheeful face of Bhargava himself. Other pictures show him shaking hands with Prime Minister Margaret Thatcher and former Cabinet ministers Lord Whitelaw and Sir Keith Joseph, or receiving an award from the president of India.

Bhargava and his wife enjoy a certain political prominence because they are the leading match-makers to the Asian community in Britain. In the past 17 years, their threshold has been crossed by more than 4,000 couples and their families. They say that 95 per cent of British Asians believe in arranging marriages for their children and that, of those marriages, only 2 or 3 per cent will end in divorce.

Next week, on St Valentine's Day, the Western world will hold its annual celebration of romantic love, with red satin hearts and columns of cryptic messages in the newspapers. There are nearly 400,000 marriages in Britain each year. In 1987, nearly 165,000 divorce decrees were granted by the courts.

St Valentine's Day more or less coincides with the astrologically perfect day for marriage in the Hindu calendar, the fifth day of the third month (Vasanat) when halls and hotels all over the Indian sub-continent and overseas are booked for weddings.

The coincidence is instructive. In Asia and its western outposts, it is a steady marriage, not romantic love, that comes first. Find a suitable partner for your son or daughter, the argument goes, and love usually will follow. "It's the safest way," said Kusum Shah, a former social worker. "People misunderstand the arranged marriage. The couple do know each other and nobody is forced. After all, it happened here in Victorian times because parents didn't want their children to suffer later on. As they say, love is blind."

Bhargava put it more severely. "It's not real love but physical attraction that brings people together. As soon as they start living together, it's over." He shifted a little uneasily in his chair and added: "A nude woman has less attraction than a woman who is covered."

A few authoritarian fathers still insist on dictating the choice, with unhappy results both when they are obeyed and when they are flouted. In most cases, the children select willingly from a short-list of suitable partners. They will have met each other at least half a dozen times before the match is struck. Prolonged courtship is considered unnecessary.

The Westernised wife of a consultant doctor explained: "When you get married to a man, you are not marrying him only. It's the whole family, and you have to get along with every one of them. It's much happier if the parents are happy with the arrangement."

Marriage, Hindu-style. St Valentine's Day virtually coincides with the perfect astrological wedding day in the Hindu calendar

Bhargava specialises in what he calls "assisted arranged marriages." Unlike the dating agencies, his publicity is aimed at parents, not lonely hearts. His full-page advertisements in the Asian press have two columns. One starts "Look, Dad – Girls, Girls, Girls!!!"; the other "Look, Mum – Boys, Boys, Boys!!!" Underneath, the eligible are listed by caste, age, height (important these days), education and occupation. A few chiropodists, cooks and factory foremen are slipped into what is largely a catalogue of professionals.

Selection can be so rigorous that many parents profess to be unable to find the right match in Britain and will take their offspring back to India or Pakistan in search of a mate. Some Home Office officials look sceptically on such claims and can be slow to issue immigration visas, especially for husbands acquired abroad.

That is what Bhargava did for his own son, Parag, a 23-year-old graduate trainee with Dixon's, the electronics retailer. The family is Hindu, of the Brahmin caste from New Delhi. When Parag felt ready for marriage, his father discovered there were only eight families in the whole of Britain that could be considered suitable. Of those, only one had a daughter of the right age and she . . . well, she was "too modernised" and had "the wrong economic standing." On top of that, her parents squabbled and her looks were wrong.

Last November, Parag and his mother attended the week-long wedding of a cousin in Delhi. There, he met a girl of the same Shalini Bhargava clan, the daughter of his cousin's wife's sister. She is convent-educated, speaks English without an accent – and the marriage is set for later this year.

Religion, caste, age, height, district of origin, appearance, personality: all these things come into it. So, of course, does money, but usually in a roundabout way. In one case, a boy got cold feet but covered it up by telling the girl his parents were backing off because they couldn't afford to set up the couple with a house and a BMW. The girl's father offered to split the cost of both if it would help conclude the deal. It didn't.

Another family complained after their son's wedding that presents from the girl's family were not up to scratch. The television set was black and white and had only a 14-inch screen. The boy was advised to tell his parents to desist; he would soon earn enough to buy all the gadgets they needed. Others are more direct: fathers will ring to offer the bureau a 10 per cent cut of any dowry their son might get. "We discourage dowry because it sends a lot of marriages on the rocks," Bhargava said. "We also refuse to take people for fun, friendship or sex. Wa take only for marriage."

The frank advertising of Bhargava's bureau is not to everyone's taste. Most of the 600,000 Gujaratis in Britain, for example, will not use marriage bureaux for fear their daughters will meet unscrupulous men. There are more delicate ways of assessing the field. One is to comb through the captioned photographs of degree-winners in *Garavi Gujarat*, a paper published in Southwark, south London.

Ramniklal Solanki, tbe paper's editor, says his news items give parents enongh background to help them with their prospecting, and he claims the system of arranged marriages works well. There were few cases of children defying their parents' wishes.

No-one knows for how many more generations the antique institution of the arranged marriage will survive among the British immigrant families. What is certain is that there is a small but steady stream of British natives looking for the security of marriage to an Asian: Bhargava has about 200 of them – mainly men but some girls, too – on his books.

Husbands in arranged marriages may sometimes tease their wives with accounts of their first loves. They may fool around with other women but it is probably less than the disillusioned husbands of Western marriages, says the matchmaker of Southall. As for the wives, they stick fast for ever.

Happy Valentine's Day. Or rather, Happy Vasanat.

I say, Jeeves, just the ticket

***Doris Montagu** speculates on the Valentine dinner of Bertie's dreams*

SIR PELHAM Grenville Wodehouse departed this life, presumably for Elysium, on February 14, 1975 – the anniversary of the martyrdom of St Valentine, a Roman priest whose life and death, incidentally, had nothing at all to do with the subsequent celebration of the day as a festival for lovers. Sad events, both of which have left in their wake much to celebrate in legend and song.

There appears not to be a readily-available list of traditional dishes suitable for serving at the feast of St Valentine. But Bertram Wooster, that elusive romantic with the opisthognathous chin, well-known author of "What the Well-Dressed Man is Wearing" and one of the leading lights of the Drones Club, might have stumbled on the magic formula unwittingly one fine day when talking with his aunt, Mrs Travers, in *The Code of the Woosters*.

Difficulties having arisen about her retaining the services of Anatole, her maestro chef, Bertie is offering to risk 30 days in the second division (for some complicated Wodehousian reason connected with an 18th century silver cow-creamer). A grateful Aunt Dahlia promises Anatole's best efforts to celebrate his release by producing the dinner of Bertie's dreams.

There follows, with a few comments which I hope will prove helpful, the Wooster menu.

Le Dîner:

Caviar Frais. From the Beluga species of sturgeon. It should be served simply, in a silver timbale, surrounded with ice and accompanied by soured cream, melted butter, slices of lemon and a dish of freshly prepared blinis.

Cantaloup. From French seeds: ripened, naturally, in sunshine.

Consommé aux Pommes d'Amour. To every quart of white consommé, add a third of a pint of raw tomato purée and a sixth of a pint of tomato juice (the tomatoes being these small ones from Provence called *pommes d'amour*). The consommé to be seasoned moderately with cayenne before being set to cool. Perfect in limpidness and quality, the flavour of the *pommes* should be decided, yet not too pronounced.

Sylphides à la crème d'écrevisses. As English ladies in evening dress find whole crayfish difficult to manage, these usually are served, in the UK, in the form of aspics, mousses or crèmes. In this case, soufflées.

Mignonette de poulet petit Duc. Minion fillets, with thin roundels of truffles and tongue half-inserted at strategic intervals, sprinkled with a little mushroom cooking liquor and poached in the oven for five to six minutes. Each one should then be placed on an artichoke bottom which has been heated in butter, and garnished, dome fashion, with a very white and somewhat thick chicken purée.

A suprême sauce, perfect in its whiteness and consummate delicacy, is served separately along with small, crisp patties of puff pastry, garnished with asparagus heads and covered with a little cream sauce.

Points d'asperge à la Mistinguett. Wodehouse and Wooster may have blundered here by omitting the "e" from the "pointes." Be that as it may, sprew, or green asparagus, can be served as a vegetable, with perfect propriety, in small tartlet cases, having first been cooked in boiling, salted, water, drained and covered with butter, with a few sprews served on top of each. I cannot say how Mistinguett affects this dish. Sad to relate, in later life her legendary knees became arthritic.

Suprême de foie gras au champagne. Basically, a *foie gras* (if you can face it) studded with raw truffles, stiffened in a glass of champagne with a bay leaf, wrapped in slices of unsmoked bacon and surrounded with whole truffles, and cooked in a patty paste to absorb the excess of grease produced by the liver.

Neige aux Perles des Alpes. Truffles, served with a delicate pasta to which guests help themselves. It is white and very light – hence the name.

Timbale de ris de veau Toulousaine. Veal sweetbreads may be served at any dinner, however sumptuous, using only their kernels, or hearts. They should be studded with truffles, surrounded by a thread of meat glaze, and garnished with small chicken forcemeat quenelles, cocks' combs and kidneys, white button mushrooms and slices of truffles. An Allemand sauce is served separately.

Salade d'endive et de céleri. Using only fibreless, white, celery and bearing in mind that curled chicory is, improperly, termed endive in England. Serve in a mustard sauce with cream.

Le Plum Pudding.

L'Etoile au Berger. Another mistake. Presumably, Wodehouse and Wooster were referring to L'Etoile *du* Berger. Clothe a Madeleine mould, with a star on its bottom, with raspberry ice-cream and fill it with Benedictine flavoured mousse, rendered unctuous and fresh to the palate by only half-whipping the cream. Turn out upon a regular disc consisting of white spun sugar lying on a dish. The spun sugar throws the ice into relief and emits rays which dart out from between the points of the star.

Benedictins Blancs. Individual Benedictine-flavoured soufflées.

Bombe Nero. Take a deep, shaped mould and clothe it with vanilla ice-cream with caramel. Fill it with vanilla mousse combined with small imitation truffles, the size of small nuts, made from chocolate. Turn the bombe out on a thin cushion of Punch biscuit of the same diameter. Cover the whole with a thin layer of Italian meringue, and, on top, set a small receptacle made of Italian meringue, dried in an almost cold oven. Decorata the sides by means of a piping bag, with meringue, and set the whole in the oven to glaze quickly. On taking the bombe out of the oven, pour some hot rum into the receptacle and set light to it when serving.

Friandises.

Diablotins. Small, poached, gnocchi with a cayenne-flavoured gratin.

Fruits.

This simple list having been noted, the following conversation took place. "By the way, didn't you forget *Nonats de la Méditerranée au Fenouil?*"

"So I did. And *Selle d'Agneau aux laitues à la Greque.* Shove them on the charge sheet, will you?"

Nonats are small French fish, considered, by some as superior to whitebait. In this case, they are served on a bed of dried fennel stalks, flaming with brandy.

As well as the chivalrous and kindly code of the Woosters, Bertram and P. G. surely have left to posterity an elegant and spectacular repast, ideal for lovers to share.

As Bertie added: "That about covers it, Aunt Dahlia."

HOW TO SPEND IT

***Lucia van der Post** picks out some suitably romantic gifts for Valentine's Day and unveils details of two exclusive FT African safaris*

The price of present affairs

VALENTINE'S DAY is alive and well and already the tills are ringing with the sound of money. To the manufacturer it may be a way to woo the reluctant shopper, but lovelorn Romeos, unrequited lovers and fondly-married couples might like a good excuse to give their nearest and dearest something special. So here – if you feel like celebrating – are a few ideas.

■ Bendicks of Mayfair, London W1, sells sweet little chocolate mint hearts. Each comes wrapped in pink foil and its own little box. 50p each. Just one would be rather poignant – a dishful, generous. Bendicks' chocolates are sold in all good department stores and from its five shops in London.

■ L'Artisan Parfumeur, 17 Cale Street, Chelsea, London SW3, has a small rustic basket filled with dried rose buds and scented with its own "rose" fragrance. £13.50 for the small size.

■ If you have a soft spot for anthologies of tender verse, then you need look no further than Penhaligon's little collection called (no prizes for originality) *Love*. Sheila Pickles, the inspiration behind Penhaligon's, has collected what I take to be her favourite poems and pieces of prose – all on the theme of romantic love.

Produced beautifully in an edition scented with Elizabethan Rose, it contains some of literature's most poignant scenes. There is the moment when Anna Karenina finally acknowledges that her fate and her future lie with Vronsky, there are liquid words on the subject from Shakespeare, there are love sonnets, John Donne's great poem *The Sun Rising*, and much, much more.

Just the book to beguile and charm a new love, revive an old one and keep cynicism at bay. £12.95 (p&p £1.50) from all Penhaligon shops and by post from 41 Wellington Street, Covent Garden, London WC2.

■ Those who love little enamelled boxes never tire of additions to the collection, so what could be nicer on THE day than Halcyon Days' 1989 version of the St Valentine's Day box? £44 from Halcyon Days, 14 Brook Street, London W1. (If you're feeling generous, you can do as the photographer did and put inside it something small, expensive and exquisite.)

■ The many people addicted to television's *Antiques Roadshow* will know the face of Ian Harris, managing director of one of my favourite jewellery shops, N. Bloom & Son of 40 Conduit Street, London W1. It always has a good selection of Victorian gold lockets and jewelled trinkets for Valentine's Day. Gold lockets start at £500 and bracelets at £300, but there are lots of other trinkets and rings at just under £100. If you want to do things the proper, traditional way, you should deliver your exquisite token in a bunch of flowers or a box of chocolates.

■ If all your love warrants is a card, then make it special. Liberty of Regent Street, London W1, has some charming modern copies in full-blown Victorian mood that include all the traditional musts – the cherubs, the rhymes, the rich and decorative little touches. Prices range from £1.45–£2.95. Joanna Wood of 48a Pimlico Road, London SW1 (tel. 01-730-5064) sells an alternative to the card: a little wooden box decorated with a heart contains a wooden book with hand-painted messages and illustrations (£8.25 plus 50p p&p).

■ In Victorian times, pincushions were the great christening gift. They came filled with bran, adorned with lace and bearing happy messages such as "Welcome, Little Stranger."

Margaret Mylward has started making little silk or satin pin-cushions from old lace and stainless steel pins (the pins provide the decorative motif) to celebrate marriages, anniversaries, birthdays and anything else you care to think of. They are all quite small – varying from about 4ins by 4ins to 6ins by 6ins – and range from £11–£22. Find them at Graham & Green, 7 Elgin Crescent, London W11, or send a s.a.e. for details to Margaret Mylward, 24 The Pastures, Repton, Derbyshire.

Silk and old lace pincushion from Graham & Green. Sizes start at 4ins x 4ins and prices are from £11 upwards

■ For HIM. Tie Rack ("If you give your loved one a gift . . . it should be one to keep and not one that loses its gimmicky effect as soon as morning dawns on February 15th!") sells pure cotton boxer shorts in slate grey or blue with an overprint of red and white hearts at £6.99 each. Harrods of Knightsbridge suggests some pure silk braces with a subtle cupid and ribbon (*coup de foudre*) design for £69. Cheaper are the "*Je t'aime*" tee-shirts at £12.95. They come complete with indelible pen so that you can add His or Her name, as well as a personal message.

Harrods' wine department will also send Him a bottle of champagne with His name hand-painted upon it (calligraphy done while you wait) for £18.15 a bottle of vintage bubbly (Harrods' own vintage, either 1982 or 1983), £19.25 for pink.

Malcolm Levene, 13–15 Chiltern Street, London W1, always has lots of splendid ideas to give a chap. Plain, discreet, yet clearly meaningful are his tie pins (£39) or cuff-links (£59). Both come in plain, polished silver and are much, much nicer than they sound.

■ If you're giving a party, Harrods will take bulk orders for personalised balloons. Choose from seven colours and 16 illustrations as well as a name and message. £25 for 50 balloons, £35 for 100.

■ Graham & Green of 7 Elgin Crescent, London W11, has, as always, a charming collection of delectable things for the house. On a romantic note, there are convincingly "antiqued" gold and verdigris cherubs in plaster at £20 each. Or you could have, instead, a cherub on a plinth for £22. There are some attractive, inexpensive pieces of jewellery; cherub earrings are £12.95 a pair, a cherub brooch is £13, and a very beautiful black, white and grey Timney Fowler scarf with a cupid design is £60.

■ Telefruit is another old standby of ours. It will send, anywhere in the country, a *basket of fruit* to which you can add something even more luxurious like champagne, an orchid or a single red rose, although, personally, I incline to the Dorothy Parker school of thought on single red roses:

"Why is it no one ever sent me yet
One perfect limousine, do you suppose?
Ah no, it's always just my luck to get
One perfect rose."

Prices for the baskets of fruit start at £23.50. Tel. 01-403-0555.

■ If you must send one perfect rose, why not send one that can be planted and will go forth and multiply into a great big armful? Rosemary Roses of The Nurseries, Stapleford *Lane, Toton, Beeston, Nottingham* NG9 5FD (tel 0602 -491-100) will send THREE roses (choose from Lovers Meeting, Deep Secret, Dearest and Wishing) PLUS a card for just £10.95 anywhere in the country.

■ Carringtons (tel. 01-546-8827) will deliver breakfast (chilled champagne, orange juice, warm croissants or bagels, smoked salmon and cream cheese) plus a single red rose, the FT, and any number of extras the doting one may decree – from boxes of handmade chocolates boxed in hearts to mini-iced cakes. Prices start at £25; telephone to discuss requirements.

■ If breakfast doesn't find you at your best, perhaps yon should plan your romantic campaign for a more appropriate hour – say, dinner. Flying Baskets (tel. 01-734-7535) will deliver a heart-shaped basket filled with dinner for two.

Smoked salmon, fresh pasta with pesto sauce, two sorts of salads, ¼lb handmade fresh chocolate truffles, rye bread and a lemon – all for £30. For the £55 deluxe version, you get a bottle of champagne, red napkins, candles and a bunch of flowers.

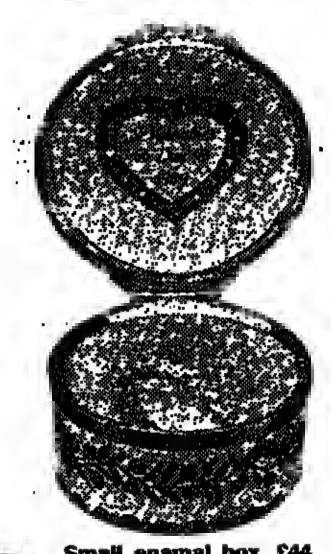
■ Finally, if you've forgotten all about it and you're in danger of getting a very cold reception on THE DAY, there is always (and always and always) flowers. Clifton Nurseries (tel.01-289-6851) promises free delivery anywhere in central London of flower plants in moss baskets. Roses are £20, azaleas £32 and orchids £56.

Vase is a *new group of* florists' shops which belongs to the new, natural school of floral design. We tried it out anonymously and cannot speak too highly of it. Two lots of fresh flowers (one a great, glorious, hand-tied bunch of nothing but shades of cream with lots of greenery, as specified, and the other a charming arrangement in a basket) arrived on time, to price and done beautifully. A dried arrangement in ths owner's basket was also done in soft shades of green and cream and came tumbling out of the half-open basket – again, exactly as specified.

There are five branches to date (all, alas, only in the London area but they have plans to expand soon): 10 Clifton Road, Little Venice, London W9 1SS; Princess Arcade, Jermyn Street, St James's, London SW1Y 6DS; 2 The Bridge, Uxbridge Road, Ealing Common, London W55 3 LB; Simpsons, Piccadilly, London W1 and Chelsea Garden Market, Chelsea Harbour, London SW10 (tel. 01-823-3336).

Cherub, Graham & Green

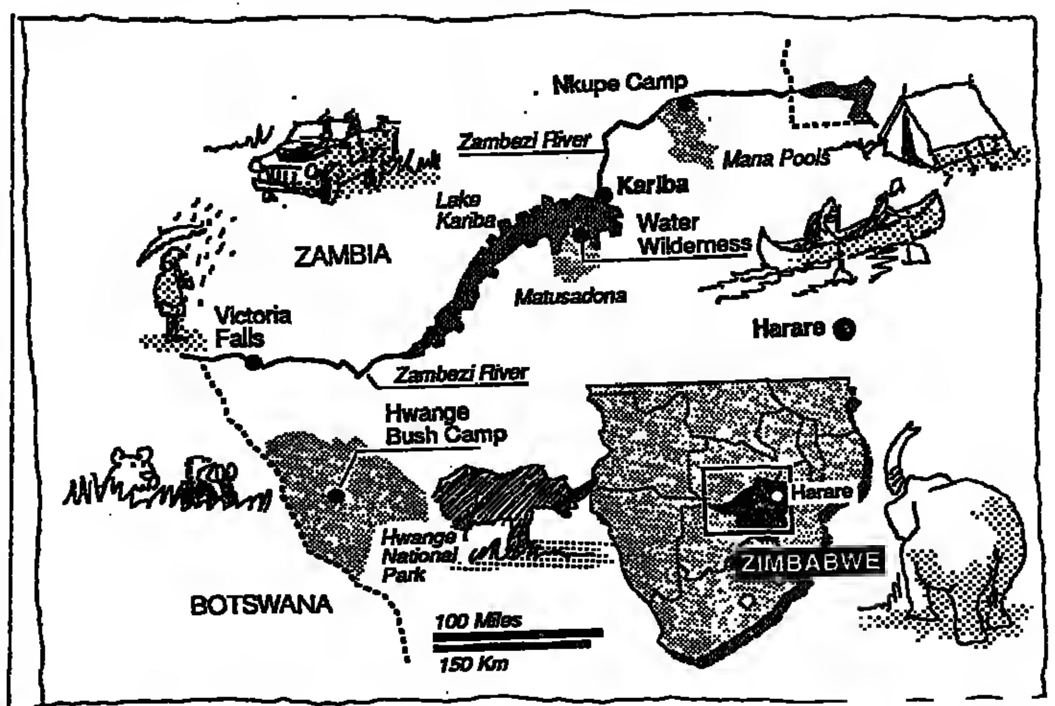
Cupid brooch, £13, Graham & Green



Small enamel box, £44 from Halcyon Days

Illustrations: James Ferguson

If soppiness isn't your line, head for the Contemporary Applied Arts gallery at 43, Earlham Street, London WC2, where there is always a collection of fine modern crafts. Currently on show is some beautiful batch-production glass at affordable prices by three individual glass makers who belong to the Studio Glass Movement. From left to right are three pieces, all handmade from 24 per cent lead crystal glass: shallow bowl on stem, £57.50, tall vase with foot, £50.60 and the round bowl on stem, £57.50.



Join us for a walk on the wild side

WOULD-BE adventurers who long to do a little wandering in the African bush, off the usual tourist beat and away from the chatter of the crowds, now have a chance to join one of two FT special safaris.

The first (15 readers, plus one FT representative) will be going back to Zimbabwe with Abercrombie & Kent, and will be accompanied by two crack guides who work with John Stevens, who runs one of the most exclnsive safari operations in Zimbabwe.

The safari starts on Friday September 15 and finishes on Sunday October 1. From the capital, Harare, the group will head for Nkupe, an exclusive camp on the edge of Mana Pools on the Zambezi. Nkupe is a mobile, temporary camp, set up specially for the FT group away from the tourist lodges. Here, accompanied by guides, readers can canoe down the Zambezi, track game and learn about the plants and the trees and the habits of the elephant.

From Mana you fly to John Stevens' new Water Wilderness Camp where yon sleep in comfortable houseboats moored in Kariba in a remote corner of the Matusadona National Park. Here kudu, waterbuck, impala, zebra and other game often come down to drink, fish eagles breed, hippos grunt and by day you will make guided excursions to track black rhino, elephant and buffalo.

After this yon go by boat and small plane to a private tented bush camp in the wilderness area of Hwange National Park, again away from the tourists. Here is some of the highest concentration of game in Africa. Your two guides will take you out in small groups, on foot or by Land-Rover. After thres days and nights in Hwange it will be time to leave for a day and night at the Victoria Falls and thence home.

The second special FT trip is a new itinerary and is for a group of just 12 readers and myself. With James Ewart of Grenadier Travel we have put together a varied and very special excursion into some of the remotest, most beautiful landscapes of the Kalahari desert and the Okavango Delta. Wherever we go we will be in our own privats tented camps, accompanied by at least three (and on a few notable days, when one of the great experts on the Kalahari and bushmen artefacts, the director of the Botswana National Museum, Alec Campbell, joins us) by four professional guides who will take small groups walking, touring, tracking or boating.

This tour leaves Heathrow on Septemher 29 and arrives back on October 15. After flying to Harare and a day at the Victoria Falls we fly to our first tented camp at Kweenie, in a private concession area on the western edge of the delta. Each day our guides will take us walking or out in Land-Rovers, teaching us abont the landscape and the wildlife. From Kweenie we fly to visit the Tsodilo Hills where Alec Campbell will be our guide and where we will be able to see some of the many hundreds of bnshmen paintings and the remains of very early settlements. We may also come across a Bushman clan in this most sacred of areas.

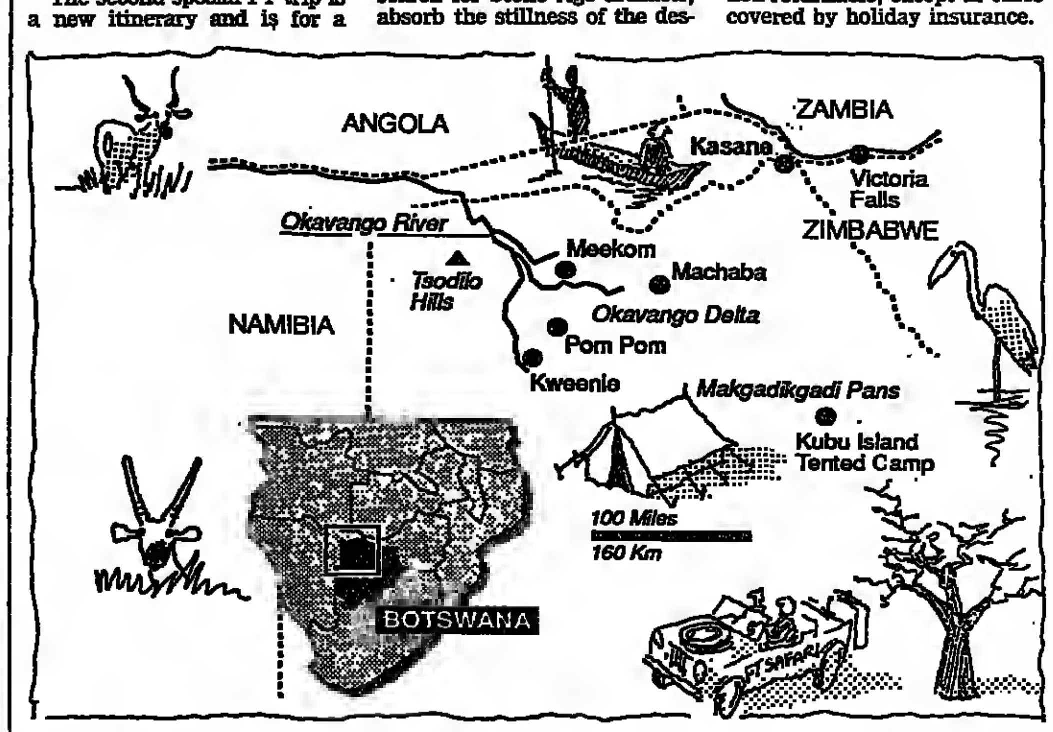
From Tsodilo we fly to our next private tented camp, Meekom, on the eastern edge of the Delta. Here, on a large island, is the Okavango Delta at its greenest and best. From here we can explore the waterways, look for the elusive lechwe and sitituugwe, and track game on foot.

From Meekom we take in a true desert experience – camping in tents at Kubu Island, whose shoreline borders what was once one of the largest lakes in Africa. Here we can search for Stone Age artifacts, absorb the stillness of the desert and watch for gemsbok, bat-eared foxes, eland, zebra and, if we are lucky, pink flamingoes in their thousands.

From Kuhu we go to Pom Pom, a luxurious private tented camp surrounded by palm trees on Chief's Island in the middle of the Delta (fishing, birdwatching, walking, camp fires) for two days and finally for our last two days at Machaba. Here our tents are pitched in the shade of Mopani trees, game comes to the river to drink and elephant and lion are found in abundance. From bere we head for home, having had a taste of most of tbe varied terrain and wildlife that Botswana has to offer.

The Zimbabwe Safari will cost £2,995, the Okavango Wilderness Safari, £3,900. If these prices seem high let me assure you that if you wanted to follow these itineraries on your own it would cost a great deal more and would require a great deal of know-how to arrange. Both include the services of the guides, all the many flights and almost everything else except a few personal requirements. For detailed itineraries of either safari write to me at the Financial Times (Bracken House, 10, Cannon Street, London EC4) and mark your envelope "Zimbabwe Safari" or "Okavango Wilderness Safari."

When it comes to a definite booking you sbould send a deposit of £300 (payable to Abercrombie & Kent in the case of Zimbabwe and to Grenadier Travel for the Okavango Wilderness) again to me at the FT. It will have to be first names out of the hat get the places, but to allow our many overseas readers a fair chance I will hold all letters and cbeques until February 23, wben I will make the draw. Once you are offered a place on either safari the £300 becomes non-returnable, except in cases covered by holiday insurance.



DIVERSIONS/ARTS

Where money talks, quietly

***Christina Lamb** sees the world's biggest underground bank system*

KALIM IS a Pakistani construction worker living in Dubai. On the first Tuesday of every month, he pays half his salary to a local money dealer. Two days later, his son back in Pakistan visits the money-changers' bazaar in the frontier town of Peshawar and collects the money, less a small commission.

Yusuf Afridi is a smuggler with a weakness for the south of France. After each successful shipment, one of his servants gives a large, brown-paper package to the owner of a humble shack in the bazaar. The Egyptian who runs it takes him into the dark interior, extracts the latest model in digital phones from a crate and calls Karachi for spot prices. He presses a few buttons on his calculator and gives the servant a chit. His master's money will be waiting in a Swiss bank ready for his next trip to Europe.

The Afghan commander emerging from Greens Hotel has just arranged the sale of a Soviet armoured personnel carrier to a German arms dealer. The vehicle will be dismantled and driven in pieces by Baluchi tribesmen across the Iranian desert to the Persian Gulf to be freighted out. The money has been paid into a Swiss bank account, from where instalments will reach the Peshawar money-changers and be changed into rupees to help fund the *jihad*.

These are all customers of perhaps the world's most extensive underground banking system. Faster and more reliable than commericial banks in this part of the world, *hundi* (as it is known) is the mechanism for overcoming strict foreign exchange controls.

Much of the business is conducted in Peshawar, a frontier town on the edge of Afghanistan where war has raged for the past nine years. Peshawar blends Bogart's Casablanca and Kipling's India. Edging into the main square in the old city, opposite the impressive glass frontages of the country's leading commercial banks, is a higgledy-piggledy row of seedy shacks. The banks are empty, employees in their grand halls out-numbering customers. The shacks are crowded with craggy-faced Pathans swathed in woollen shawls. From the humblest stall equipped only with an ancient wooden abacus, to the Egyptian with his huge safe and direct line to the country's stock exchange, they deal in millions.

Salim has been president of the money-changers' bazaar for the past eight years. He explains that not only is their exchange rate much better, but that Pakistani citizens officially are allowed only $1,000 for two years. "Here, one can change any amount, and" (he whispers, conspiratorially) "there's no paperwork involved." Even the most law-abiding citizen, who has

DESPATCHES
• Peshawar •

tried official routes to bring money into or out of Pakistan and become enmeshed inextricably in a network of lost telexes and leering stenographers whose masters are never in their seats, cannot fail to appreciate this point.

One of the many arms shops near Peshawar where funds smuggled from abroad through the money-changers' bazaar in the frontier town buys weapons for the Afghan mujahideen

Mansur Ahmed has worked in the bazaar for the past five years and earns on average £1,000 a week – not bad in a country with an annual per capita income of less than $400. Business is so good that the crumbling shacks fetch at least $50,000. Most of Mansur's foreign currency comes from India. He deals mostly in pounds, Deutsche marks, dollars and Saudi riyad but can arrange anything for a 1 per cent commission.

Shakil Ahmed, general secretary of the bazaar, turning up his nose after discovering my profession when he failed to sell me some dollars, then insisted the market deals only in Afghan currency which, unlike other currency dealing, is legal.

The Peshawar bazaar is interlinked with the Chicken Street money-changers in Kabul and, as such, has become a barometer on the state of the Afghan war. Recent floods of refugees from the town of Jalalabad, which is under heavy pressure from the *mujahideen*, has pushed down the price of Afghanis; while the closure of the road to Kabul has reduced demand for the notes, which are now worth less than half what they were before the war relative to the Pakistan rupee. Traders complain business is down to only a quarter of their usual turnover of 20m Afghanis per day, but know they will make a healthy profit once refugees start returning home.

Conscious that the black economy now outstrips the white, the government has little desire to clamp down on the traders and, in fact, does a little laundering of its own, selling bonds to legalise ill-gotten gains. The Economic Co-ordination Committee is even discussing turning a blind eye to smuggling altogether providing some of 20 per cent of the money reaches the Treasury.

Inspector Asis from the Federal Investigation Agency (FIA) has, quite remarkably, patrolled the bazaar for two months without catching sight nor sound of any foreign currency. He expresses confidence that his 15 informers (also in the pay of the traders) may be on to something, and says that if he catches anyone selling foreign money, they will be sent to prison "forthwith."

Meanwhile, the menacing-looking AK47s slung over the merchants' shoulders, and those of their protectors, seem to have distracted Asis temporarily from noticing the large piles of dollars and sterling on sale.

Food for Thought

An Olympian feast

***Peter Lewis** tries a taste of international cuisine and samples culinary prospects for the year ahead*

THE SIXTH International Food and Drink Exhibition at Olympia has just finished. Before I catch you saying "Thanks for nothing," or something of that sort, let me say it's trade only. So you couldn't have gone, anyway.

I went to recharge my batteries. I sucked up free samples of salami, cheese and apples like a human vacuum-cleaner. I haunted the French pavilion practising my schoolboy accent. Only the French have the nerve to staff their stands with people who don't speak English.

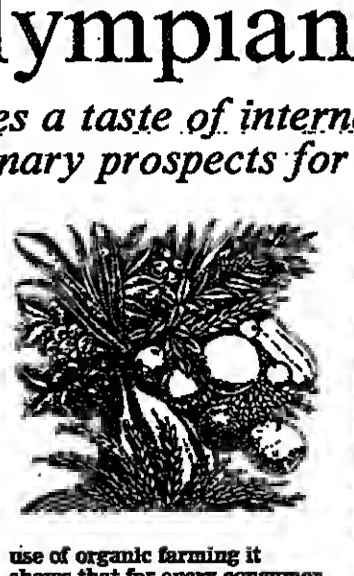
Now, crouched in a sea of notes, brochures and press briefing kits, it falls to me to cut the promotional razzmatazz and tell you what is going to happen to your food this year.

The long shadows cast by stories of salmonella and listeria outbreaks haunted the proceedings. John MacGregor, Minister of Agriculture, Fisheries and Food, was unable to open the exhibition because of his ulcer. But, in the end, the simple need to be upbeat won through. A note of cheerful triumphalism was heard.

Few would argue that the British food industry is not price-conscious. New products bringing more convenience and "added value" pour forth, but they fail cautiously to blow the price of food through the ceiling.

Pre-cooked vegetables with a three-month refrigerator life will appeal to a lot of people with no enthusiasm for shopping and cleaning at the end of a long day. Pasteurised, salmonella-free eggs in cartons will, we hope, be a short-lived phenomenon although I expect some will come to like them.

Of course, the whole food industry does not live on the brink of these new technologies. There is a phenomenon known as "the farmhouse revival." Small producers are labouring to produce decent, honest food in an old-fashioned way and there are some foods – cheese, for instance – where their output cannot be ignored. There is a lot of small-scale smoking of fish and birds, too. Coupled with the increased



use of organic farming it shows that for every consumer who wants to turn the clock back a generation or two, there is a producer with the same thing in mind.

The problem these producers face is well-nigh insuperable. To reach a wide market, they must have access to at least one supermarket chain. Supermarkets are keen on small-scale, high-price items but they must have reasonable continuity of supply, at an assured price, to run their operations. This can be difficult to arrange.

The most striking feature of the Olympia exhibition is how many countries appear to want to sell us salami and sausage. Slogans vary, but underneath . . . is a great deal of salami. It seems to be the speciality of Italy, Germany, Poland, France, Denmark, Hungary – even Luxemburg is in on the act. Only the US seems to stand aloof.

If you are a lover of Indian food – or Mexican, which seems very popular these days – you would get precious little nourishment from the Indian or Mexican pavilions. Beer, tequila, even Mezcal are all transportable and importable, but not the tortilla and the chapatti.

There was much talk about 1992 at Olympia. I assume that any elements of the British food industry which are facing up to 1992 – the year European trade barriers are lifted – will do so by taking a folding stand to Cologne, Lyon and Brussels rather than strutting their stuff at Olympia. Perhaps they will take some salami, too.

On the opening day the organisers announced proudly that 1,600 overseas visitors had arrived so far. Yes, but are they batting or bowling? I suppose that doesn't matter. The very fact that Britain has its own exhibition on this heroic scale says something about the consumption and manufacture of food in the UK which could not have been said a generation ago. And when the wagons begin to roll through the Channel tunnel, they may not all be full one way, empty the other.

We hamper ourselves again, of course, by being four countries instead of one. Vigorous promotion of Scottish, Welsh and Northern Irish food seems to make the English a bit shy. It is not the British who have an inferiority complex about their food, it's the English. However, brave buccaneers of commerce are doing it with biscuits and teabags. Where they lead, salami will soon follow. We shall yet have our place in the family of nations.

Wine

Bubbly's corking year

***Edmund Penning-Rowsell** finds champagne sales rising, but warns of tougher times ahead*

LAST YEAR, for the first time, the UK imported more than 20m bottles of champagne, doubling the total of only five years ago and representing 22 per cent of Champagne's total 1988 exports. But Britain's 7.8 per cent increase last year in (presumably) consumption compares oddly with the 8 per cent drop in the figures for the Marne's second biggest customer, the US, which imported 14.5m bottles. Third, coming up fast, was West Germany with 12.3m.

Champagne achieved total sales of 237m bottles, compared with 219m in 1987. (France's domestic intake of 147m bottles is within drinking distance of three bottles per head of population, whereas the UK figures, although remarkable in their context, represent well under half a bottle apiece.)

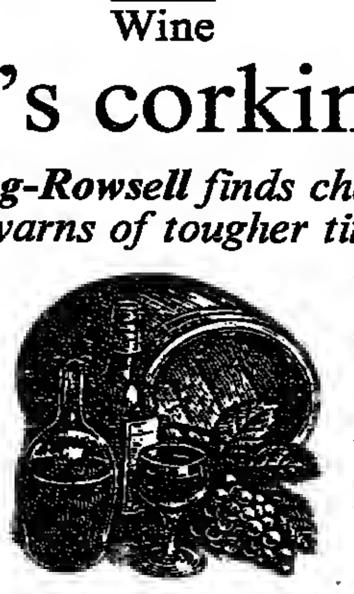
However, particularly in Champagne, sales have to be balanced with what technically-aided nature supplies. In Bordeaux, a small vintage is by no means a disaster – in fact, an occasional one is welcome, particularly if its quality appears to justify an increase in price. In Champagne, though, short crops like '78 '80 and '81 were hailed as "penury."

This is because quantity is needed to maintain the three years' level of stocks claimed to be necessary. If the quality is not very good one year, it can be integrated into the blend of the adjoining superior harvests; and a vintage label, which accounts for only 10 per cent to 15 per cent of sales, is called for only about every third year.

Last year, the crop was short – and, in relation to sales, nearly very short. But the unusually prolonged fine autumn resulted in a "second harvest," particularly in the Aube, the formerly despised region that earlier in the century had been excluded from the champagne appellation. Picking there continued until All Saints Day and lifted the total crop to a level equivalent of 224m bottles – a shortfall of only 13m bottles on the year's eventual sales total.

However, this relatively narrow margin was not regarded as very good news by the merchant houses, many of whom (with their trade association, the Comité Interprofessionel) agreed that demand was rising too fast. They reckoned that the departures from their cellars were being replaced by only 78 per cent of new wine. The 27 *grandes marques*, which dominate the merchants' side of the trade, complain that they are short of grapes because the growers keep too much for themselves, either to make and market their own brands, or to sell their grapes to the co-operatives, or to hold as still or sparkling wines for sale later.

This retention is very much a side-effect of the taxation system. A grower with an annual



turnover not exceeding FFr500,000 pays a once-and-for-all sum agreed with the local tax office: a *forfait*. This is what three out of four champagne growers pay, and most do their best to avoid having a greater *chiffre d'affaires* (turnover) that will entail audited accounts and a profits tax of up to 50-55 per cent.

However, a grower who sends his grapes to the co-op can instruct it to delay the sale of all or part produced nominally but not directly from those grapes – so he is not paid for them and incurs no tax. (This, it is now suggested, might apply also to grapes sold to the merchants, but it seems a little unlikely that the French government would agree to this much more substantial hold-up of tax receipts.)

A good deal of the surprising growth in champagne sales in recent years has been in the cheap, own-brand supermarket champagnes; not least in Britain, where J. Sainsbury is the fourth biggest champagne importer. By buying still or sparkling wine on the market, supermarkets have been able not only to increase their sales but also their share of the harvest, to the detriment of the leading houses.

The latter maintain also that these cheap champagnes put at risk the high quality that is the main factor in maintaining the reputation and sales of champagne above the flood of other sparkling wines. But these relatively low-price champagnes are not going to be so cheap from now on, and will probably go up at least £1 a bottle. The *grandes marques* are increasing their prices, too.

What concerns Champagne most, though, is the rapidly approaching filling-up of the appellation area, as fixed in 1927. The total permissable area is 30,000 ha, of which 28,000 are planted and 26,000 in production. New planting is proceeding at the rate of 500 ha each year. So, it will be full in 1993 and in full production two or three years later. What happens then?

Doubtless, pressure will build up for further extension of the authorised area, and certainly there are small plots of appropriate vineyard land that were not included in the depressed, restrictive times of the '20s. But substantial increases could be made only in the extremities of the region: down the Marne Valley and in the Aisne and Aube, where the quality would be much lower.

The fear that they could be priced out of the market has sent the champagne houses further afield. Bollinger and Taittinger own companies on the Loire but there is much more activity overseas. Moet and Bollinger have installations in Australia and Deutz in New Zealand, but there is much more intensive action in California.

This was headed by Domaine Chandon, which opened in 1977. Now Deutz, Mumm, Piper Sonoma and Roederer are in operation, while Taittinger is building a big winery in Carneros and Bollinger has a share in a large enterprise under construction beyond the Napa Valley (in which Whitbread is the main developer and Antinori of Florence has a small part).

Although total US sales of these emigré French sparkling wines are no more than 8m to 9m bottles as yet (and they emphasise their difference from champagne, which is not a protected word in the US and is used there commonly for all sparkling wines), they are much cheaper and, obviously, have to compete with the home-product.

A weather eye on the 'new' names

***Robin Duthy** adds some minor works to his store of 'investments.' His purchases are on paper only*

THE SALEROOMS have been trawling the same waters for decades, yet even now "new" and interesting artists keep appearing in their net. At Sotheby's Impressionist sale on February 22, I propose to "bid" up to £15,000 (estimate £8,000 to £12,000) for Nature Morte a la Soupière Chinoise, by Jeanne Selmersheim-Desgrange.

This is a finely balanced composition of a eucalyptus branch partly enveloping a pitcher of marigolds, a bowl of apples and peaches, a soup tureen – its blue-and-white Chinese decoration conveyed deftly – an opened pomegranate and a carafe of wine glinting purplish-red through the green glass.

The colouration I should describe as an orderly riot – one that makes a real impact, although not an assault, on the eye. The overall feel is one of profusion and tranquillity.

As the second wife of Paul Signac, the chief theorist and protagonist of Neo-Impressionism, Selmersheim-Desgrange took note of her husband's formulations. Although not published until 1899, these had already influenced – one might almost say converted – Theo van Rysselberghe, Maximilien Luce and Henri-Edmond Cross, and had some effect on van Gogh.

Signac "discovered" St Tropez in 1892 and his villa, La Hune, became the unofficial headquarters of the Neo-Impressionist school. It was there in the 1900s that Selmersheim-Desgrange painted views of their garden, mostly in a fairly strict Divisionist style (Signac disliked the term Pointillism) wherein an elaborate pictorial structure was built up of little "bricks" of colour, chosen after careful observation of the colour of each object and of the colour of the light.

'Historical medals have for long been the poor relation of the coin market'

The Sotheby's painting was probably done late in the 1920s after Selmersheim-Desgrange had assimilated Signac's ideas and seemed to be going her own way. Although included in several Paris exhibitions in the 1930s, only two or three have appeared in the market in the past five years and there is no price trend to consider. As an important work by a minor (though attractive) artist, I would expect its value to climb steadily.

Another discovery about whom almost nothing is known is Géza Bornemisza, a Hungarian artist who is believed to have worked with Matisse. No work by him has been offered at auction for 10 years although, in the same Sotheby's sale, a striking Nu dans l'Atelier is estimated to fetch £7,000 to £9,000. With no benchmarks, this can only be an enlightened guess; and although I expect it to go for more, I shall "bid" up to £10,000.

Signed and dated Paris 1906, this painting was done the year after the anarchic offerings of Matisse and his fellow Fauves had seized the Paris art world by the throat. Using a similar palette, though a less reckless manner, Bornemisza seems to be working towards a gentler role for the shocking though potent colour-language Matisse had discovered.

Nu dans l'Atelier by Géza Bornemisza

There may be passages in this painting – the head, for instance – that are not resolved fully, yet the play of light and colour on the girl's body is most effective and, taken as a whole, the painting is a delight.

In a rather different idiom, I shall be bidding up to £1,000 at the Spink-Taisei coin auction in Singapore on February 23 for a large silver medal (77mm) struck first by the Zoological Society of London in 1828. The die was engraved by Benjamin Wyon after a design by Thomas Landseer (Sir Edwin's brother). The obverse depicts a group of birds including an eagle, heron, swan and pelican; the reverse, a group of mammals including a rhinoceros, two giraffes and an elephant.

About 90 medals have been struck over the years in gold, silver and bronze. The bronze versions would sometimes be given to distinguished keepers; a gold one went to Sir Harry Johnson in 1902 in for his discovery of the okape.

The present medal, struck in 1887, is inscribed: "To His Highness Nripendra Naroyan Bhup, Maharajah of Kuch-Behar; in Acknowledgement of Valuable Donations to the Society." These are known to have included an Indian rhinoceros.

Historical medals have for long been the poor, under-valued relation of the coin market. Prices have stirred only barely in 10 years, mainly because there are too few around to create an active market.

Part of the problem might also be that most buyers of Royal Mint and Franklin Mint medals do not know that a market for older, finer and rarer medals exists. One day, I expect these medals to be ranked as works of art, although it should be said that this argument has by no means won the day in the coin

Silver medal struck by the Zoological Society of London

market. Nevertheless, this is an unusually attractive medal and I expect it to buck the trend.

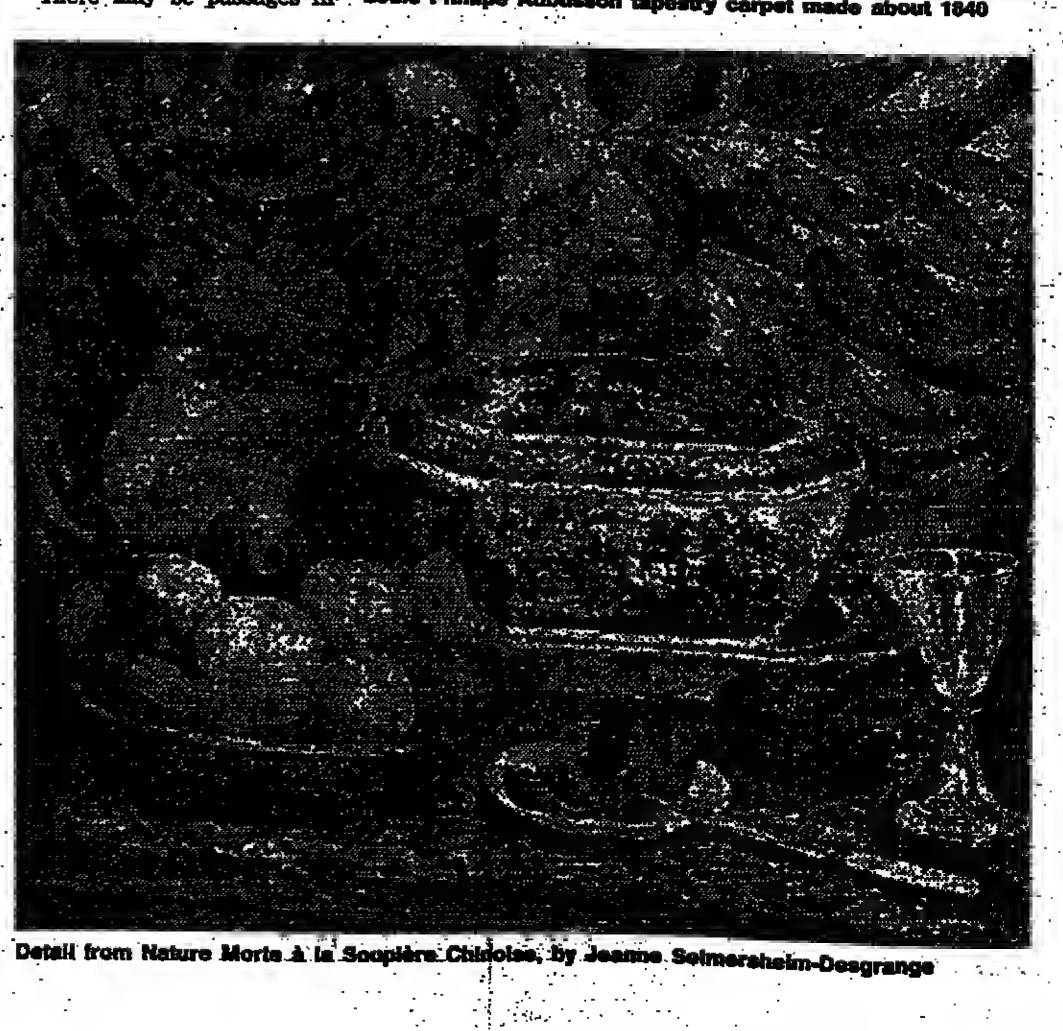
Finally, I plan to buy a pretty, if rather grand, Louis Phillipe Aubusson tapestry carpet made about 1840 and measuring 20 ft by 17 ft. Its light, airy design of garlands of flowers and festooned ribbons is set against an ivory field and within in a sea-blue border. It must have witnessed some lively parties over the past century and a half, although I am assured that the various stains can be removed.

It is estimated to fetch £5,000 to £7,000 at Phillips' furniture sale next Tuesday, although I hope to get it for £4,000 as these broad carpets often go cheaply. At that price, it will cost me about double the price of a top quality Wilton of the same size, and there can't be much doubt which will be the better investment.

So long as it doesn't get too worn, it will be in use and valuable – perhaps very valuable – 100 years from now, long after today's Wiltons have been dumped.

■ *Robin Duthy, art market analyst, consultant and writer, is the author of two books, The Successful Investor and Alternative Investor.*

Louis Phillipe Aubusson tapestry carpet made about 1840



Detail from Nature Morte à la Soupière Chinoise, by Jeanne Selmersheim-Desgrange

ARTS

Opera

'But what is it *about*?'

Max Loppert hails *Un re in ascolto*

LUCIANO BERIO'S "musical action in two parts," *Un re in ascolto*, reached Covent Garden on Thursday. It is a marvellous, enchanting, spellbinding work, and it is given a production, by Graham Vick, and a musical performance, under the composer himself, of magical beauty – a feat in which lucid intelligence and brilliant theatricality are perfectly proportioned and combined. This is the Royal Opera at its very best, and for intending audiences prepared to sink themselves into the experience without panicky preconceptions the rewards, I would say, are endless.

"But what is it *about*?" – the question was overheard in the interval. Last Saturday in these columns I attempted some very tentative advance answers. What the Covent Garden staging makes evident is that, like all genuine inventions for the lyric theatre, this is a work that invites strong responses on several levels – and that the music connects those levels and focuses those responses. In simplest terms it is the latest in the line of operas-about-opera (or even musicals-about-the-musical) – a backstage carnival of theatrical cross-currents and, at times, cross-purposes that swirl around when new works are deep in rehearsal.

Without having at their disposal the elaborate machinery available in the 1984 Salzburg premiere production, Vick (and his superb design, lighting, and choreography colleagues Chris Dyer, Nick Chelton, and Sean Walsh) have planned and phased the performance to reveal luminous new theatrical dimensions at each stage of unfolding. The production has a basic taut simplicity of outline that keeps under control the busiest supply of fertile comic activity. Dancers prance, acrobats fly, a lady is sawn in half, the chorus rise on wires (a wondrous moment), minor conflicts suddenly flare; and meanwhile the production gradually stretches the enclosed area of the action until it seems to envelop the entire auditorium.

It is all done with a richness and an exuberance of detail, a sheen and glitter of colour, that exactly mirror the surface of Berio's score. Vick's production, with its genius for capturing the here-and-now of theatre, gives flesh to a theatrical scenario full of non-naturalistic theatrical ideas and visions. It allows the basic themes that Berio is pondering – simple themes, about the problems of listening, finding a voice, communicating in a chaotically disordered world – clear expression without simple-minded dilution of their sophisticated formulation and dense, complex expression.

The huge emotional power that this work gathers at the close of each of its acts, which leave the last words to Prospero's quintessentially Italianate vocal line, is surely proof, if proof were needed, that *Un re in ascolto* is "about" things that only opera can tackle, and that it is genuine opera of the most full-blooded sort.

It is a work that rewards advance perusal of the libretto, that deepens and illuminates its purpose with each return encounter. But it is, I think, already an "approachable" experience first time round: the music, with its echoes of Monteverdi, Bach, Mahler, and Berg, and its superbly potent articulation through vocal colour-contrasts, sees to that. It amazes me that the Royal Opera, having prepared and cast the work in a way to offer it to a new public with near-ideal clarity and confidence, should then mar that clarity by insisting on an Italian language plus surtitles presentation (especially as there are all too few of the latter at too many crucial moments). Berio's word-setting of his native language may be of a flexibility and subtlety that a translation would inevitably fail to match, but, in this of all works, the intermittent encouragement to look away from the stage is surely a far greater threat to absorption into the experience.

Graham Valentine, left, and Donald McIntyre in *Un re in ascolto*

Happily, the performance is sufficiently strong to defuse the threat: Donald McIntyre, a famous Wotan, is Prospero (he shares the Wagnerian credentials with Theo Adam, the first Prospero). The natural authority of the singer's presence and the dark weightiness of his bass-baritone provide exactly the focus the evening requires – McIntyre may find the ornamented flourishes of the vocal line taxing at times, but he triumphs over difficulties.

The lustrous hues of female voices that give the experience its particular dramatic-madrigal patina are here finely assorted: the three audition candidates, Penelope Walmsley-Clark, Rebecca Littig and Elizabeth Laurence (the ravishing Mezzo-soprano), are ideally contrasted, and Kathryn Harries, as the Protagonista who bursts through the glass frame to deliver a flaming full version of the audition song, is urgently passionate and compelling in spite of thin top notes.

There are cameos of high comic finish and musicality combined from Robert Tear (Director), and the three male Singers (Robin Leggate, Omar Ebrahim, Matthew Best). The play of dramatic shadows between the Ariel and Caliban figures – the first an infinitely touching boy-mime (Memnos Costi), the second a snake-limbed actor of tremendous panache (Graham Valentine) – is one of the performance's high points.

It is a performance short (under two hours with ona 40-minute interval) but full, and not to be missed by anyone in love with the possibilities of opera. This "modernist" work, which looks both back and forward across the medium with an ironically affectionate Janus-gaze, revives many of the most basic.

Theatre

A right royal mix of parallels and punks

Martin Hoyle on the ESC's Wars of the Roses at the Old Vic

IT WAS our first great age of inflation. It began with the abdication of a weak king and ended with soap-opera royalty complete with glamour-figures, black sheep and pushy arrivistes. The mercantile classes made a killing while the old order floundered into killings of a different sort. The era would end with a faceless bureaucracy serving a newly-centralised and ruthless state. It was inevitable that sooner or later some theatre director would draw parallels between the 90 years covered by Shakespeare's history plays from *Richard II* to *Richard III* and our own times. The English Shakespeare Company's compendious *Wars of the Roses* cycle at the Old Vic gives us such a vision.

Or rather it doesn't. It gives us director Michael Bogdanov's fluent and convincing pictures of low-life, and an irrelevant and trivial gloss of gimmickry on the high life; both valid examples of our priorities today but not much use in illuminating or freshening our perception of the Shakespearian texts. Both Lancaster and York have passed their zenith; with only the murderous crookback to come the general impression is of decent, clear schools-exam Shakespeare with a trendy sprinkling of attention-grabbers.

Therein lies the chief disappointment. Bogdanov may be unconventional but he is never surprising. His punks, leather-boys, mini-skirts, dinner-jackets and battle-fatigues are now visual clichés, as modern-dress Shakespeare is a cliché, and rarely have any purpose beyond striking a chord with yonnger newcomers to the Bard. Sometimes [illegible] sets off reverberations, as in the sudden vision of a whole society poised on the brink of momentous happenings at the end of *Henry IV Part 2*; but too often the effect is of disjointed gags, points made in isolation or restatement of the obvious (references to "Gotcha!" or singing "Jerusalem" in the French Wars) that leave us saying "So what?"

This commonplace range of theatrical reference, a staleness of visual language, becomes apparent in *Henry V*, where the illogicality and inconsistency of the modern trappings show them up as mere garnish (there is no point in soldiers hurling themselves behind sandbag barricades if they spend most of the ensuing discussion with their heads well above the danger-level). The modern – or Regency or Edwardian or World War One – elements do nothing to clarify the plays, but paradoxically add an artificial, fancy-dress air that conventional costuming avoids. (It must surely be a sign that the updated, "relevant" approach has failed when the audience still spends the interval trying to work out the dynastic relationships – as happened at *Henry VI, The House of York*, the second of the two plays cobbled out of the original three parts.)

The artificiality may be intentional, like the ridiculous sound of the dead Talbot's titles droned out by a Red Cross stretcher-bearer instead of a herald – the subsequent lines on the phoenix and ashes are equally deflated; a final injustice to the excellent Michael Fenner, stranded by the production between ramrod military comedy and parental tragedy ("Thou antic death").

This general impression of half-formed ideas going not far enough, consistently enough, applies to other actors, many of whom give signs of untapped energy and intelligence. Paul Brennen's Henry VI begins beautifully, painfully well-meaning, weak and decent, but never develops and is ineffective in that harrowing scene of fathers and sons divided by civil war. Andrew Jarvis' vitality as Hotspur gives out by the time his Gloucester is sinisterly soliloquising, the rhythm too relaxed, that eager smile employed in both roles too unwavering (though his delivery of lines from *Henry IV Part 2* appropriated by the Phoenix *Richard III* is not so anodyne as Derek Jacobi's). His varying "by goom" northern/educated southern accent epitomises the production's desire to have every available dramatic cake and eat it too.

Without eye-catching mannerisms the production too often sags. The Warwick/Margaret confrontation at the French court resulting in the angry Englishman's endorsement of his old foe's cause is stilted, with no hint of the Queen's struggle between expediency, relief and bitterness towards the man who has helped destroy her family and whom she must now embrace (old memories of Ashcroft unfairly refuse to die). The historically accurate tabloid-worthy episode of Eleanor Cobham (royal duchess nabbed in witchcraft racket) is surprisingly flat. There are stretches when one feels that the director has nothing to say but is waiting for the best shock tactic – such as the modern gunshot that insolently finishes off a gallant warrior after a dazzling bout of sword-play.

Michael Pennington, the company's joint begetter with Bogdanov, carries his dedication on to the stage: almost unrecognisable as a lounge-lizard Suffolk (his farewell to June Watson's Margaret achieves a *Liebestod*-like intensity) or a spiky-haired Jack Cade, he shows unfailing intelligence, clarity and style. John Dougall, as an alternate Hal besides a vividly-characterised Clarence, is a splendid newcomer to major Shakespeare roles, obviously destined for great things. Francesca Ryan has stumbled only with Joan of Arc's indistinctly projected rural accent but is immensely promising, besides being a nifty saxophonist in one of those rounds of banter which illustrate the production's concept of power politics.

The ESC's achievement is to be a cohesive company. Supported by Allied Irish Bank, it has toured its mammoth undertaking both at home and abroad and gives the lie to the RSC's contention that actors will not commit themselves to lengthy work outside London.

Opera for the masses

Antony Thorncroft on the latest spectator sport

OPERA is the new mass spectator sport. From June 5 London's Earls Court will be given over to seven performances of *Carmen*, which are set to attract a collective audience of over 100,000. On June 18 Luciano Pavarotti opens the London Arena in Docklands with his only British performance this year before the sharp 11,500 who snapped up the tickets on the day they went on sale.

Then on July 15 near Paris, Placido Domingo will launch an Opera Festival at Versailles as André Chénier which, in a double bill with *La traviata*, will draw in around 70,000 addicts, some paying £350 a ticket, over the following two weeks.

Confirmed opera lovers are divided over this phenomenon. They know that the music echoing around the London Arena, rebounding from the concrete roof of Earls Court, or drifting across from the floating stage at Versailles, is a sad substitute for the real thing in an acoustically perfect auditorium. However, they would be churlish to despise this army, mainly young, often female, of potential converts, some of whom, having tasted the ersatz, will dig more deeply into the experience.

Television has played its part in building the opera audience. Recent screenings of *Carmen* attracted 2.4m viewers and *La traviata* 1.5m. The Arts Council can confirm an opera renaissance. In 1987-88 over 1m people in the UK paid almost £15.5m to watch performances by the leading opera companies, establishing a record average attendance per performance of 1,538, or 82 per cent of capacity.

The director general of the Council, Luke Rittner, is not afraid to welcome the populist trend. He enjoyed himself at last year's pioneering *Aida* in Earls Court, which was hated by the critics but loved by most of the 100,000 who packed out the place. "Forget the purists," he says. "Just think of the enjoyment such performances are giving to people who have never previously experienced opera. Maybe one day Britain will be like Italy, where they are whistling the tunes from *La traviata* on every building site."

Encouraged by the profits from that £2m *Aida* operation, the producer, Classical Productions, a merger of Mark McCormack's IMG and promoter Harvey Goldsmith, is repeating the experience with *Carmen*. It has learned from its mistakes – no discounted tickets this time and higher prices too, up to £45 for the best seats.

It is also investing some of the bigger take into atmospherics: the foolhardy aim is to transform Earls Court into a Spanish fiesta, with Paco Pena's flamenco dancers mixing with actors dressed as gypsies, smugglers and toreadors. The cost will top £3m, but there are already plans to roll it round the world.

The music is not totally forgotten. Maria Ewing, who played the role memorably at Glyndebourne, leads a trio of Carmens (the others are Victoria Vergara and Ning Liang); Stefanos Lazaridis, who is handling the designs, has enough awards from the ENO to silence the critics; while director Steven Pimlott is no slouch. Obviously, as in *Aida*, the production will aim at the eyes rather than the ears.

The mass audience for opera owes much to the emergence of two massive tenors, Pavarotti and Domingo. Their presence removes much of the gamble from these enterprises. Although Domingo will sing only twice at Versailles his name on the promotion virtually guarantees success.

This is perhaps the most interesting of the ventures. It is costing $10m, with much of the cash going into the largest floating stage in the world. Originally, the entrepreneur behind the festival, the Egyptian oil broker Fawzi Mitwalki, wanted a musical setting in the grounds behind the palace of Versailles but the authorities gulped at the idea of 5,000 night time visitors stumbling around the gardens and the venue has been switched to alongside the palace.

Even so, Versailles is collecting a £1,000 a night douceur, while Domingo is happy to perform for £15,000 an appearance in the not-too-strenuous role of Chénier, plus expenses. Mitwalki has cornered the market in flamboyant operatic spectacles, partly because of his friendship with the likes of Domingo and partly because he brings an evangelistic enthusiasm to the task.

He scarcely needs the money, and indeed lost around $1m on his first venture, a staging of *Aida* at Luxor two years ago, although his business skills have enabled him to off-load much of the risk this time round by persuading travel companies such as Wagons Lits in France and Thomas Cook in the UK to advance much of the production costs in return for exclusive rights on marketing the tickets.

Opera as mass spectacle: Grace Bumbry with cast support in *Aida*

He talks of similar events in such ravaged places as Belfast and Beirut and sees the vast audience for opera en fête as a microcosm of the global family. Even so his next festival will be in unravaged Austria, a Mozart thrash in 1991 in a romantic castle to celebrate the bicentenary of the composer's death. Mitwalki will break even if he sells 25,000 tickets for the Versailles Festival. He should have few worries. Thomas Cook is rapidly disposing of its 6,000 allocation, offering a night at the opera as part of a three-day dip into Paris for less than £400.

The organisers of these monumental events are shrewd enough to call on sound names from the operatic world to oversee the operas: at Versailles *André Chénier* will be directed by the manager of the Liège Opera and *La traviata* by the head of Marseille Opera. Among the singers will be Katia Ricciarelli, Renato Bruson and Edita Gruberova, among other reputations which will give the critics pause.

Of course they (like the audience) will be in thrall to the elements, and to the location, and will be mugging like mad: but the demand for such dramas suggests that they are tonching a popular chord. They have also excited husiness. Sponsors are ouly too delighted to pour yet more money into the entrepreneur's coffers – the MI Group, which sponsored *Aida*, is putting £300,000 into *Carmen*, and Regalian Estates is investing £150,000 into the Pavarotti concert.

What is less agreeable is the exploitation of the spectacles for business entertaining. It is disturbing enough at Covent Garden, but at *Carmen* marquees will sprout around the auditorium like tents at Agincourt and at least 600 guests a night will gorge on food and drink as well as music, at a cost to their hosts of £8,000 for each 50 guests. At Pavarotti, too, moored in the dock, will be a yacht, cetering for the privileged at £180 a night. Servicing enthusiastic tyro opera lovers is one thing; catering to the jaded palates of corporate freeloaders quite another.

These operatic spectacles, based on the open air performances at Verona, have obviously touched a responsive nerve amoog a puhlic which bas cash to spend and is looking for a new experience. But the supply of overpowering operas is limited. The team behind the "West Kensington Opera House" is already planning its 1990 event. Verdi's *Nobucco* carries the necessary weight hut is hardly a popular classic. But if *Carmen* can repeat the success of *Aida* then Classical Productions will he selling its concept rather than any particular opera by the summer of 1990.

Radio

All in the family

RADIO 4 is rich in serials at present. On Sunday afternoons there is a repeat of the eight-part *The Way We Live Now*, Trollope's expression of distaste for the Victorian values in England in the 1870s, dramatised by David Spenser. Also scheduled for afternoon listening, on Fridays, is an eight-part *The Brothers Karamazov*, dramatised by Michelene Wandor, with a strong cast.

Dostoevsky's novel is good serial matter, for it begins with a handy introduction to old Fyodor Karamazov, played by Freddie Jones, and his three sons. Those who can't make all *eight* instalments should have no trouble latching on to Michael Maloney's devout Alexey, Stuart Wilson's spendthrift Dmitry or Tim Brierley's "atheist, Socialist, realist" Ivan even when they are called Alyosha or Mitya. But skipping instalments will be a pity, for Ms Wandor is packing a lot of detail into her hours. (The choice of Friday afternoons suggests that Radio 4 listeners are used to long weekends.)

Yesterday we heard the scenes in Father Zossima's cell (without a universal decision where to accent his name), and ended with the disorderly dinner at the Father Superior's – somewhere about page 100 in the Penguin edition, which has 912 pages in its two volumes.

Zossima is played sympathetically by Roger Hume, Peter McEnery is Miusov, David Vann is Rakitin; but there is so much more to come, I must not yet attempt a judgment. Philip Martin is the director.

While the fuss is on about the kidneys bought from the Turks for surgical transplants, it was cunning of the Beeb to choose this time to tell us about the days when we were exporting organs to Turkey. True, it was nearly 400 years ago, and the specific organ was a fine musical instrument designed and built by Thomas Dallam of Lancashire, who sailed out with it to Constantinople and presented it personally to the Grand Sultan. Dallam kept a diary of his experiences, and very entertaining it is. Extracts were read, with organ accompaniment, in Radio 4's *Saturday Feature* last Saturday.

Professor Wolpert's interviews on Radio 3 on Monday and Wednesday recalled the great days of the old Third Programme. *In Freeing the Mind*, we had one FRS talking to another FRS, Professor Jim Lovelock (James Ephraim in the reference-books), and pulling no punches for the listeners. Gas chromatography is Jim Lovelock's current concern, though he may well have anothar by the time these words appear, for he is the true Mad Scientist, working on whatever interests him and living on whatever invention he thinks up.

Gas chromatography, carried out with his own electron capture detector, enables him to measure extremely small amounts of gas in the atmosphere. With its aid he detected the CFCs in the atmosphere that are affecting the ozone layer – having had a grant application refused because it "would be impossible" to measure them. His main interest is in Gaia, which is not the first name of an Italian lady but (I think) an alternative system of biology. There was so mnch interest in this easy, casual, momentous half-hour's talk that I see I must discard all the science I learnt at school.

Professor Wolpert's talk with Professor Avrion Mitchison, zoologist, also FRS, was less technical, more personal. Mitchison is the son of Naomi Mitchison, nephew of J.B.S. Haldane, grandson of J.S. Haldane. The conversation, on such matters as family tradition, politics in biology, how to inject mice, the satisfaction in organ transplants, was riveting. When an ordinary listener like me hears, say, a Bartok concerto, he enjoys it without thinking of consecutiva fifths and things; and enjoying talks by such experts as these (watch ont for Sir James Lighthill on Monday) is in the same category.

B.A. Young

CHESS No. 760

1 N-K2. If K-K5; 2 B-B6, or if P-Q6; 2 N(2)-B3.

SPORT

Merv – evolving macho man

Teresa McLean in awe of an Australian tough guy

I WENT to a convent school and have to agree with the nuns that this was the ultimate mixed blessing. Another view I shared with them was an instinctive distrust of the Pope, partly on feminist, partly on general anti-hierarchical grounds. This sentiment has been having a second lease of life over the last few weeks, thanks to the news that Australian cricket grounds and sports shops have been doing a roaring trade in "Merv for Pope" tee-shirts. It is hard to know which is the worst end of this ghastly idea: Merv Hughes, the hairy, meaty, macho Australian fast bowler who sucks his moustache ends when he is cross, or the Pope.

On balance, I suppose the Pope has to be worse, ex officio. Hughes' classic Australian tough-guy qualities did him nothing but good in an ill-humoured series where a short temper, such as his, was a professional asset for an aggressive bowler. There is something almost satirical about Hughes's style, like a caricature of howling in the Outback where he would, no doubt, find lager in the middle of the desert. His moment of greatest glory was in the second Test at Perth, which Australia lost, as they lost the first at Brisbane and the third at Melbourne. The perfect situation for Hughes.

He had fitted so much lager into his cricketing life last year that his own captain, Allan Border, told him he would have to "get himself fitter" if he wanted a regular place in the Test team. Inspired by this opposition, Hughes has not touched a drop since April, which has got rid of his paunch, or at least redistributed it more evenly round his body. He says he is not going to drink again until this coming April, but it would be rash for English supporters to count on a return to booze rendering him ineffective in England this summer.

After a personal success against the West Indies, such as Hughes managed at Perth, I am sure England will have a chance to see him this year and will find him everything an English girl expects a hard-drinking, hard-living Australian to be. I am also sure that he will hate English beer, English weather and English middle-class voices.

In Western Australia, he has risen above papal status and is closer to being a god. The fact that he took more West Indian wickets than any Australian has ever taken in a Test match at Perth – 13, including eight for 87 in the second innings – is given extra poignancy by the fact that the Australians lost.

The West Indies thrive on success. They go from good to better and tend to go from bad to worse. Once they start faltering, they are liable to collapse, as they did in the fourth Test at Sydney. Australia, by contrast, enjoy adversity. Hughes strode onto the field at Perth aggrieved at being left out of the first Test, his hair cut (though not on his chest), his moustache combed,

> *'We need to keep cricket as a game – not a power struggle'*

hell-bent on vengeance against cricket in general, and the Australian selectors and West Indian batsmen in particular.

Nothing could have suited Australia better than having easy catches put down off Hughes' and Lawson's bowling. First, Haynes was dropped in the slips by chubby little Boon of the wobbly size, then Greenidge was dropped in the slips by Waugh, leaving Hughes incandescent with rage. Australia made the appropriate response to these mishaps. Hughes trapped Haynes lbw for 11 with a carnivorous, sweat-soaked appeal it would have taken a suicidal umpire to refuse, and Lawson bowled Greenidge for 40.

Of course, you can overdo your fondness for trouble. Richards was dropped by the unfortunate spin bowler, May, who bothered all the West Indian batsmen but could not hold the fierce return chance Richards offered when he had scored 62. Richards then went on to make 146 off 150 balls. By the end of the West Indian innings, with the score at 449, it was clear that whatever result providence was going to provide, it was not going to be a West Indian defeat.

Australia fought back well, with a stand of 200 by Wood and Waugh. This left the West Indies sullen, angry and more feeble with every ball they bowled. They failed to take a wicket in the lunch-tea session and this made them even more angry. They complained about everything from the pitch – which was indeed a hard, dry catastrophe, full of cracks – to the umpires, who were no better than their associates in the series and found the experience of umpiring in a bitter atmosphere, relieved only by belligerence, very depressing. The West Indies were quick to add Australian racism to their list of complaints.

Curtley Ambrose was so fed up with his unaccustomed failure and the Australian hostility surrounding him that he sprayed no-balls and bouncers all over the place. The most damaging of these was a high-rise ball, possibly the accidental result of one of the cracks in the pitch, which shattered Lawson's jaw. It produced another wrong decision from the umpires, who ruled the ball dead and Lawson not out when the ball toppled him like a tree, straight onto the stumps. The decision made little difference because he was carried off on a stretcher and was in no condition to return. Lawson's nightmare was Hughes's big chance for putting pressure on the papacy as he came charging in to avenge Lawson's injury. You could almost smell his fury.

His very first ball was a good-length sizzler that had Greenidge lbw for 0. It also gave Hughes a hat-trick, the second hat-trick of the series. Like Courtney Walsh, who got the first one at Brisbane, Hughes spread his hat-trick over two innings; but, on the principle of anything-you-can-do-I-can-do-better, he spread his over three different overs.

Merv Hughes: hairy, meaty, macho

He got Ambrose with the last ball of one over, Patterson with the first ball of the next, ending the innings, and Greenidge with the opening ball of the next innings. An unusual hat-trick, but then Hughes is an unusual player.

The remainder of the series showed his Vatican candidature looking increasingly exotic as his bowling looked increasingly dreadful. Australia lost the third Test and Hughes failed to take a single wicket, beginning to experiment with the possibilities of batting instead. His 21 not out in the first innings helped to keep relations sour when he smashed a delivery from Ambrose into the nose of Gus Logie at short-leg. The nose disintegrated. His 72 in the last Test was as grotesquely improbable as Border's 11 wickets in the fourth, and made a bizarre finalé to a disappointing, unfriendly and erratic tour, distinguished mainly by its abundance of casualties, arguments, appalling performances, hat-tricks and names entering the record books.

Hughes was a one-game man in this series. His only consistent quality was the awfulness of his fielding, which remained a bad joke throughout. But he upheld Australian honour with his hat-trick, alongside Walsh's hat-trick, Marshall's 300th test wicket and Richards' 100th first-class century.

Heaven only knows what Hughes will make of England and England will make of Hughes. What both sides need more than anything to keep cricket a game, not a power struggle, is to keep their sense of humour alive. I cannot think of anything better designed to do that than Merv Hughes.

Over the parrot, Brian

CAN YOU speak soccer? Do you know when the lads have given 110 per cent in a game of two halves? Can you spot the occasions when the boys done brilliant?

Unlike cricket, only a few of soccer's common metaphors have passed into general usage; although even those uninterested in sport are probably aware of the emotional nuances conveyed by *over the moon* or *sick as a parrot*.

Now, for the benefit of readers unversed in the subtleties of soccerspeak, the Financial Times presents the key phrases used by those involved in football – and their true meanings.

THE DIRECTORS

The board is 100 per cent behind the manager
We haven't found a replacement yet
It has been mutually agreed that the manager should leave
He's been sacked
It's a pity that United should have lured our manager away, but we wish him all the best
We were about to sack him, but now instead of making a pay-off, we can claim compensation from his new employers
We want to take the club upmarket
We're going to demolish the ground and build luxury flats

THE MANAGER

Our lads showed total commitment
We kicked their tricky winger
Our lads showed total commitment ... but sometimes they were overenthusiastic
We kicked their tricky winger, but the referee saw us
Our lads lacked commitment
We tried to kick their tricky winger, but he was too quick for us
Our lads gave 110 per cent
The players ran aimlessly round the field like headless chickens while the opposition calmly passed the ball among themselves.
Our supporters were fantastic
Our supporters chanted obscene songs, and directed racist taunts at the opposition's centre forward

It was a game of two halves
The opposition dominated the match, but we equalised thanks to an own goal in the last minute
The boys done brilliant
We won
Their goalkeeper done brilliant
They won
We're taking each game as it comes
I'm on a short-term contract

THE PLAYERS

Well, I just hit it and it went in the back of the net
Well, I just hit it and it went in the back of the net
Spiggsy got to the byline, crossed it, Smithy got a flick on and I slotted into the top corner from the edge of the area
Well, I just hit it and it went in the back of the net
It's nice to score a goal in front of the TV cameras
I'm hoping to get a transfer to Liverpool
It's nice to be transferred to Liverpool
Now I can score a goal in front of the TV cameras every week

THE COMMENTATORS

Welcome to a crucial top-of-the-table clash
We're showing Liverpool again
And this week, the cameras visit an unusual venue
We're showing Liverpool playing away
This promises to be a classic local derby
There will be lots of fouls and no goals
Let's look at that offside decision from our new camera angle
Let's try and prove the referee was wrong
That looks to be a controversial decision
The referee WAS wrong
Don't forget to join us for the second half after the break
There'll be more excitement in the Bulgarian silent movie showing on Channel Four

THE PRESS

For those reading Press reports of a game, it is important to remember that a ball is never just kicked into the goal. It is *rifled, crashed* or *thundered* if hit from a long distance; from close range, it is *tapped* or *coolly slotted into the net*. If scored with the head, the forward will doubtless have *soared above the defence*.

And what is the goalkeeper doing during all this activity? If he moves at all, the ball will have been scored *past his despairing dive*; if he fails to move, perhaps because a *wicked deflection* has diverted the path of the ball, he has been *rooted helplessly to the spot*.

Penalties are awarded when players are *scythed down* in the penalty area or for a *blatant handball* and defenders are booked for a *cynical tackle* on an opposing player.

Internationals are important since they allow the Press to indulge in England's true national sport, attacking the manager. Depending on whether England win or lose, the result was either despite or because of the manager's *misguided selection policy*.

So, armed with this information, the intrepid reader can now decipher complex juxtapositions of jargon. The following phrase is not only a test for this new knowledge, but the sub-text is a common element in many Press articles on football.

After ignoring many cynical tackles by Albania, Herr Goering gave a harsh decision for a penalty against England which the centre forward coolly slotted home past the despairing dive of the goalkeeper, whilst the ashen-faced manager looked on from the bench.

The referee is foreign, the opposition is foreign, what can you expect? In any case, sack Bobby Robson.

Philip Coggan

Continued from Page I

were, singularly eminent scientists who have left a mark on their respective disciplines. In a way, they represent a different era that has passed into history. Can the organisation keep in line with a changing world? Its members affirm that it can, and its agenda addresses problems that still need scientific solutions.

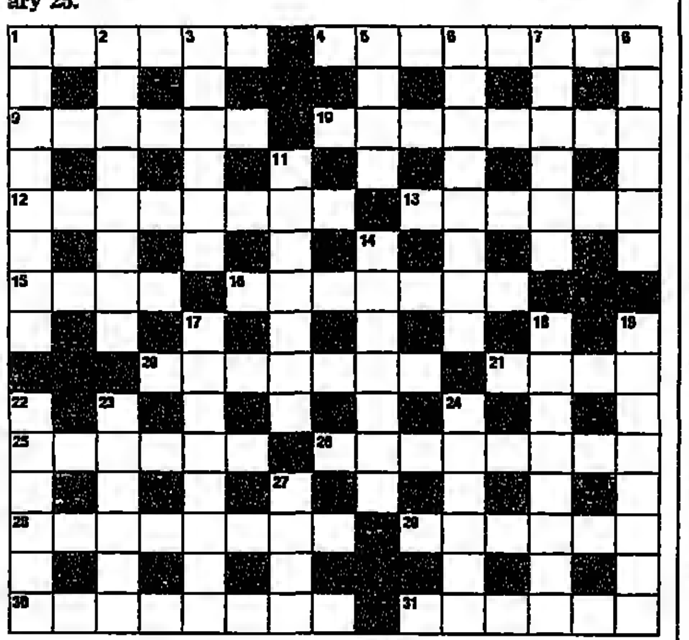
In January, for example, 60 scientists attended the 14th Pugwash workshop in Geneva which dealt with chemical warfare. For future deliberation, in the 39th conference and beyond, are problems relating to monitoring the production of fissile material used in nuclear weapons, verifying the dismantling of nuclear warheads, and the use of satellites for peace within the Star Wars (SDI) concept. A Pugwash meeting taking place in Brussels on February 17-19 will be devoted to ways of getting accurate media coverage of the kind of issues Pugwash deals with.

"If Pugwash did not exist, it would have to be invented," says Bernard Feld, with conviction. He has a point. The arms race has not yet been halted; development of weapons has not yet stopped and probably never will. Perhaps the world will always need a forum like Pugwash where scientists, each with the incontrovertible authority of their separate disciplines, can address themselves to the dangers of the world free of the shackling rhetoric of politics.

CROSSWORD

No. 6,858 Set by VIXEN

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday February 22, marked Crossword 6,858 on the envelope, to the Financial Times, 10 Cannon Street, London EC4P 4BY. Solution on Saturday February 25.



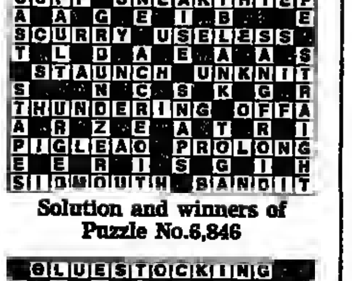
ACROSS

1 Craft shown about appropriate wagers (6)
4 Found the elements of any deals absurd (8)
9 Great big bloom once much esteemed by Egyptians (6)
10 Tip many in a small boat (8)
12 Reeder the politician (8)
13 The man in charge, or general manager (6)
15 Recess given no approval (4)
16 Remains upset by fighting men (7)
20 The practical approach is dividing the country (7)
21 Article about a guy that's caused some pain (4)
25 Earthy maybe, but sincere (6)
26 Excuse certain to give satisfaction (8)
28 He earns his living writing about drink (8)
29 A royal house not at all vulgar in the beginning (6)
30 Contrary pigs need hurrying along (8)
31 In drab surrounding Edward gets selfish (6)

DOWN

1 Seeing shoot in acute discomfort (8)
2 Getting airman to model for a cartoonist (8)
3 Exhibit a figure in a German church (6)
5 Love encompassing a natural growth (4)
6 Heather returned twice – she stayed around (8)
7 Guard dog kept within sight (6)
8 To take exercise with an animal around is more involved (6)
11 Giving support to a collaborator as allowed (7)
14 Smiles may be raised about one sort of weapon (7)
17 Returned hoard held by revolutionary (8)
18 Bill the clerical assistant appears to be right (8)
19 It's not long since bank would accept foreign coin (8)
22 Notes clever point made (6)
23 There's some depression about the pages being spotty (5)
24 A Mongol seamen's get-together (6)
27 Winger in demand for international games (4)

Solution to Puzzle No.6,857



Solution and winners of Puzzle No.6,846

Mr K. Hoare, Cardiff; Carol McTavish, Shirehampton, Bristol; Mr P.J. Rowland, Brentford, Middlesex; Mr J.E. Tierney, Acomb, Yorkshire; Elizabeth Wilson, Carryduff, Belfast.

TELEVISION & RADIO

SATURDAY

†Indicates programme in black and white

BBC1

8:25 am Saturday Starts Here. 8:40 Chucklevision. 9:00 Going Live! 12:12 pm Weather. 12:19 Grandstand, including 12:20 Skiing (World Alpine Championship); 12:35 Squash (Standard Life Telesquash International from Edinburgh); 12:50 News; 12:55 Squash; 1:30 Racing from Newbury; 1:40 Table Tennis (Leeds Masters semi-final and finals from Preston); 2:00 Racing from Newbury; 2:10 Table Tennis; 2:40 Racing from Newbury; 2:55 Table Tennis; 3:10 Racing from Newbury; 3:20 Table Tennis; 3:30 Football; 4:00 Rugby League (highlights of a second-round tie in the Silk Cut Challenge Cup); 4:40 Final Score.

5:50 News. 5:15 Regional programmes. 5:20 The Flying Doctors. 6:00 Jim'll Fix It. 6:40 Little and Large. 7:15 'Allo 'Allo! 7:40 The Paul Daniels Magic Show. 8:25 Bergerac. 9:20 News and Sport. 9:35 Midnight Caller. 10:25 Carrott Confidential. 11:00 Film: "Dog Soldiers" (1978) with Nick Nolte, Tuesday Weld and John Converse.

BBC2

6:50 am Open University. 2:45 pm Saturday Cinema Double-Bill: Two Bette Davis films: †"The Old Maid" (1939), and at 4:15 "Pocketful of Miracles" (1961). 6:30 The Triumph of the West. 7:20 Newsview. 8:05 Rhythms of the World: 'The Indestructible Beat of Soweto'. 8:55 The 'Slap' Maxwell Story. 9:20 Saturday Night Clive.

10:05 The Film Club. Actor Simon Callow introduces two films contrasting the eternal forces of good and evil. †10:08 "The Night of the Hunter" (1955), starring Shelley Winters and Lillian Gish, and at †11:40-1:20 am "Dr Jekyll and Mr Hyde" (1931) with Fredric March and Miriam Hopkins.

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Motormouth. 11:30 The Partridge Family. 12:00 The Chart Show. 1:00 pm ITN News. 1:05 Local News and Weather, followed by Saint & Greavsie. 1:40 Sportsmasters. 2:10 Athletics: McVitie's World Cross Country Trials from Gateshead. 3:10 Walt Disney Presents: Doggone Valentine. 4:15 Mr Majeika. 4:45 Results Service. 5:05 ITN News. 5:05 Local News and Weather. 5:15 William Tell.

5:45 Superboy. 6:15 Trick or Treat. 6:45 You Bet! 7:45 Inspector Morse. 9:45 ITN News. 10:00 Local Weather. 10:00 Aspel & Company: hosted by Michael Aspel with Jodi Foster, Dusty Springfield and Austin Mitchell. 10:50 Spitting Image. 11:20 The Highwayman. 12:15 am Soap, followed by ITN News Headlines. 1:00 Night Network.

CHANNEL 4

9:30 am Same Difference. 10:00 4 What It's Worth. †10:30 Film: "Hi, Gang!" with Bebe Daniels and Ben Lyon. 12:20 pm Trailblazer Magoo. 12:30 Dance with Me (subtitled). 1:00 Land of Mann. 12:00 Film: "Red Dust" (1932). Clark Gable with Jean Harlow and Mary Astor. 13:30 "Abbott and Costello Meet Frankenstein". 5:05 Brookside. 6:00 Right to Reply. 6:30 Scottish Eye.

7:00 News summary and weather, followed by People to People: Hilda at Darjeeling. 8:05 The Harp in the South. 9:00 Film: "Nostalgia" (subtitled). 11:25 Sounds of Surprise: Ten Days that Shook Soho. 12:40 am "The Web", with Edmond O'Brien and Vincent Price.

S4C WALES

As Channel 4 except:

9:30 am Open College. 10:00 Vintage: A History of Wine. 11:00 4 What it's Worth. 11:30 Same Difference. 12:00 Here and Now on 4. 12:35 pm Sumo. 1:05 "Othello" (multi-racial Johannesburg production). †4:45 The Three Stooges. 5:05 Brookside. 6:00 Right to Reply. 6:30 Citizen 2000. 7:00 Carreg Ateb. 7:30 Newyddion. 7:40 V Mass Chwarae. 8:30 Lleian Byd Gorau'n Byd. 10:00 True Stories.

IBA Regions as London except at the following times:

ANGLIA

11:30 am Knight Rider. 12:00 The Chart Show. 5:15 pm Home and Away. 11:20 pm Film: "KGB – The Secret War". 1:00 am The Hit Man and Her, with Pete Waterman and Michaela Strachan.

BORDER

11:30 am The Chart Show. 12:30 pm America's Top Ten with Casey Kasem. 1:00 ITN News, followed by Border News and Weather. 5:15 Home and Away. 11:20 Film: "The Fifth Victim", starring Karen Valentine and William Devane.

CENTRAL

5:10 pm Home and Away. 11:20 Prisoner: Cell Block H. 12:20 am Starring Dyan Cannon: "Honeysuckle Rose".

CHANNEL

11:30 am The Chart Show. 12:30 pm Sid Tips. 5:15 Home and Away. 12:15 am Cinemattractions. 12:45 America's Top Ten.

GRAMPIAN

11:30 am The Chart Show. 12:30 pm A Iomadh Dutheich – Tolleachas Neo Beartas. 6:10 Crimestoppers. A Gaelic look ahead to the coming week in the Highlands and the Islands. 11:20 Feature Film: "The Fifth Victim", starring Karen Valentine, William Devane and Eva Marie Saint. 1:00 am The Hit Man and Her.

GRANADA

11:20 am The Chart Show. 12:30 pm America's Top 10. 5:15 Home and Away. 11:20 "The Fifth Victim". 1:00 am The Hit Man and Her, with Pete Waterman and Michaela Strachan.

HTV

11:30 am The Chart Show. 12:30 pm America's Top 10. 5:15 Home and Away. 11:20 "The Last Hard Men", starring Charlton Heston and James Coburn. 1:00 am Throb.

SCOTTISH

11:30 am The Chart Show. 12:30 pm America's Top Ten. 5:15 Home and Away. 11:20 Film: "The Fifth Victim" with Karen Valentine, William Devane and Eva Marie Saint. (TV movie). 1:00 am The Hit Man and Her.

TSW

11:30 am The Chart Show. 12:30 pm The South West Week. 5:15 Home and Away. 11:20 Film: "The Fifth Victim", starring Karen Valentine and William Devane (TV movie). 1:00 am The Hit Man and Her with Pete Waterman and Michaela Strachan.

TVS

11:30 am The Chart Show. 12:30 pm Sid Tips. 5:15 Home and Away. 12:15 am The American Showcase: Cinemattractions. 12:45 America's Top Ten. 1:15 The Leonard Rossi Show.

TYNE TEES

11:30 am The Chart Show. 12:30 pm Sid Tips. 5:15 Cartoon Time. 6:15 Home and Away. 11:20 "The Fifth Victim", starring Karen Valentine, William Devane and Eva Marie Saint. 1:00 am ITN News Headlines. 1:02 The Hit Man and Her, with Pete Waterman and Michaela Strachan is Her.

ULSTER

11:30 am The Chart Show. 12:30 pm America's Top 10. 5:15 Home and Away. 11:20 "The Fifth Victim", starring Karen Valentine. 1:00 am The Hit Man and Her.

YORKSHIRE

11:30 am The Chart Show. 12:30 pm America's Top 10. 5:15 A.L.F. 11:20 "The Fifth Victim", Karen Valentine and William Devane. 1:00 am ITN News Headlines, followed by The Hit Man and Her.

RADIO

(S) Stereo on FM

RADIO 2

[illegible]

RADIO 3

[illegible]

RADIO 4

[illegible]

SUNDAY

†Indicates programme in black and white

BBC1

8:05 am Playbus. 9:10 Morning Worship. 10:00 Man and Boy. 10:25 Take Nobody's Word for It. [illegible]

11:40 Dangerous Journey. 12:00 Encounter. 12:30 pm The Weekend Live, including Police 5. 12:55 Local News and Weather. 1:00 ITN News. 1:10 Eyewitness. 2:00 Coronation Street. 3:00 The Match: West Ham v Luton. 5:05 Home and Away. 5:00 Bullseye. 6:30 ITN News. 6:35 Local News and Weather. [illegible]

BBC2

7:15 am Open University. [illegible]

CHANNEL 4

[illegible]

S4C WALES

As Channel 4 except: [illegible]

IBA Regions as London except at the following times:

ANGLIA

[illegible]

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Motormouth on Sunday, including Fraggle Rock. 10:45 Link. 11:00 Signs of the Kingdom. [illegible]

BORDER

[illegible]

Everyman: Voices of Sorrow (BBC1, Sunday 10.30pm) looks at the human suffering behind Sudan's civil war

CENTRAL

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

SCOTTISH

[illegible]

TSW

[illegible]

TVS

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

YORKSHIRE

[illegible]

RADIO

(S) Stereo on FM

RADIO 2

[illegible]

RADIO 3

[illegible]

RADIO 4

[illegible]